STEEL IMPORTS

1728-4

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

S. Res. 149

A RESOLUTION REQUESTING THE PRESIDENT TO CAUSE A STUDY OF IMPORTS OF STEEL MILL PRODUCTS TO BE UNDERTAKEN BY THE DEPARTMENT OF COMMERCE

JUNE 2 AND 3, 1966

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CONTENTS

WITNESSES

COMMUNICATIONS

ADDITIONAL INFORMATION

STEEL IMPORTS

THURSDAY, JUNE 2, 1966

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Douglas, Hartke, Williams, and Bennett.

Also present: Tom Vail, chief counsel.

The CHAIRMAN. This hearing will come to order.

This hearing has been called for the purpose of receiving testimony on Senate Resolution 149. This resolution was introduced by the Senator from Indiana, Mr. Hartke, who will be here shortly. It would request the President to call for a study to be made on the impact of steel imports on our economy. Particular reference has been made in the study to the question of dumping of steel mill products in this country, the products of the steel industry, together with employment income and tax revenues generated by this industry, and the effect of imports on our balance of payments and on our voluntary restrictions on foreign investments.

At this point, without objection, a copy of the Senate Resolution 149, and the press announcement of the hearing will be made a part of the record.

(S. Res. 149 and accompanying announcement follow:)

[S. Res. 149, 89th Cong., 1st sess.]

Whereas imports of foreign steel mill products have increased from three million one hundred sixty-three thousand two hundred and thirty-three tons in 1961 to six million four hundred thirty-nine thousand five hundred and eight tons in 1964 and are currently running at an annual rate of nearly ten million tons; and

Whereas, with the exception of Canada, South America, Sweden, and Australia, all foreign suppliers of steel mill products have increased their shipments, at annual rates, to the United States during the first half of 1965 over the rates recorded in 1964; and

Whereas, in the first six months of 1965, steel mill product imports from France, Italy, and the Netherlands actually exceeded imports of steel mill products from these nations for the entire twelve months of 1964; and

Whereas, at current steel prices and at the current annual rate of steel mill product imports, such imports will amount to a drain on the United States balance of payments of more than $1.25 billion in 1965; and

Whereas economic contraction and rising unemployment in Great Britain and France threaten to divert increasing quantities of steel mill products to the United States as prices below Utined States market prices; and

Whereas, despite the increasing profits of the steel industry of the United States during the current year, the rapid increases in both the absolute volume and the rate of increase of imports of steel mill products will, if present trends continue, pose a serious threat to the profitability of the steel industry and to the employment, income, and tax revenues generated by the steel industry: Now, therefore, be it

Resolved, That the President is requested to cause a study of imports of steel mill products to be undertaken by the Department of Commerce, utilizing other appropriate Federal agencies, with particular respect to (1) the possibility of unfair, below-cost pricing of steel mill product imports to the United States; (2) the impact of rapidly increasing imports of steel mill products upon the profitability of the domestic steel industry and the employment, income, and tax revenues generated by that industry; (3) the impact of such imports upon the maintenance of equilibrium in the balance of international payments of the United States; and (4) the effect of efforts of the Government to restrict the outflow of private capital upon the demand for steel products in foreign countries affected thereby.

CHAIRMAN RUSSELL B. LONG (D., LA.), COMMITTEE ON FINANCE, ANNOUNCES HEARING ON STEEL IMPORTS

Russell B. Long, Chairman of the Committee on Finance, announced today that the Committee would hold a hearing (beginning at 10 A.M.) on Thursday, June 2, 1966, with respect to S. Res. 149. This resolution would request the President to cause a study to be made by the Department of Commerce into the impact on our economy of steel imports.

Persons desiring to be heard should submit requests to Tom Vail, Chief Counsel, Committee on Finance, not later than Tuesday, May 31, 1966. Those with similar interests are urged to designate a single spokesman to present their testimony.

Because of the large number of witnesses expected to testify, it will be necessary to sharply limit oral presentation. Written views supplementing the oral testimony will be accepted for inclusion in the record. In order to conserve the time of the Committee, the Committee will be pleased to receive from any interested person a written statement in lieu of personal appearance. These statements will be printed in the hearing and will be given the same full consideration as if they had been delivered orally.

All statements should include a summary sheet and subject headings.

A witness list will be announced on Tuesday, May 31.

(Agency comments on S. Res. 149 follow:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., October 18, 1965.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance, U.S. Senate, New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This refers to your letter of September 29, 1965, requesting the views of this office with respect to S. Res. 149, a resolution "Requesting the President to cause a study of imports of steel mill products to be undertaken by the Department of Commerce."

It enacted, this resolution would have the effect of putting the Senate on record as favoring a study concentrated on certain specified and limited effects of steel imports.

While such an expression of Senate views is, of course, a matter of Senate prerogative, we believe the resolution is unnecessary and that it may have undesirable consequences. Existing law already provides for broad studies of imports which are alleged to have injurious effects on domestic producers. The statutory authorities available for this purpose are detailed in the reports which the various agencies are submitting to your committee on the resolution. Beyond these specific authorities, the Executive Branch, of course, can study the effects of particular imports whenever circumstances require. In fact, this is being done on a continuing basis in connection with our balance of payments.

With respect to possible undesirable consequences, the resolution calls for the study to be made by the Secretary of Commerce, even though his department is only one of several agencies with competence and experience in this field. More importantly, the resolution would put the Senate on record as favoring a steel import study singling out selective aspects of the effect of such imports. Possible adverse results of such a study are discussed in several agency reports on the resolution. We hope the Senate would not wish to endorse a study made under such strictures.

Accordingly, the Bureau of the Budget recommends S. Res. 149 not be adopted. If a study of the effect of steel imports is needed, we believe it can and should be made by the Executive Branch in a broader context and without the need for action by the Senate or the Congress.

Sincerely yours,

PHILIP S. HUGHES,
Assistant Director for Legislative Reference.

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., October 18, 1965.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department with respect to Senate Resolution 149, a resolution requesting the President to cause a study of imports of steel mill products to be undertaken by the Department of Commerce.

Citing the increased imports of steel mill products, the resolution, if adopted, would place the Senate on record as requesting the President to have the Department of Commerce, utilizing other appropriate Federal agencies, study steel mill imports with particular respect to: (1) the possibility of unfair, below-cost pricing of steel mill product imports to the United States; (2) the impact of rapidly increasing imports of steel mill products upon the profitability of the domestic steel industry and the employment, income, and tax revenues generated by that industry; (3) the impact of such imports upon the maintenance of equilibrium in the balance of international payments of the United States; and (4) the effect of efforts of the Government to restrict the outflow of private capital upon the demand for steel products in foreign countries affected thereby. In effect the study would be concentrated on three areas—dumping, the impact of imports on the domestic industry, and balance of payments.

Existing antidumping laws and regulations provide a mechanism for investigating all complaints of unfair below-cost pricing of imports. They also provide remedies to protect domestic producers, including the steel industry, from injury resulting from such pricing practices. The Treasury Department and the Tariff Commission administer these provisions. In addition the provisions of the Tariff Act of 1930 and the Trade Expansion Act of 1962 provide adequate authority for study by the Tariff Commission of the impact of imports on a domestic industry.

This Department is concerned about the growing imbalance in the U.S. trade of steel mill products even though this imbalance must be viewed in the context of our favorable overall balance of trade. The growth in imports of steel mill products indicates an improvement in the competitive position of foreign steel producers in their own markets as well as in export markets. But, competition from foreign producers is not an unforeseen development. U.S. tax, economic growth and trade promotion policies recognize that other countries are becoming more formidable competitors. These policies are intended to help U.S. industry meet the challenge of such increased competition. The steel industry itself, through programs of plant modernization and market research and development, is attempting to broaden its competitive base, both in traditional steel markets and in other markets in which it competes with other materials.

Perhaps the basic question involved in such a study of United States steel imports would be the extent to which producers in Japan and the Common Market countries will try to increase their penetration of steel markets in the United States. Foreign producers' policies and actions will depend upon such factors as their expansion plans in specific steel products and their costs of production. The hard core of the facts needed—those on foreign and domestic products costs—are invariably held in confidence and probably would not be supplied voluntarily.

For the above reasons this Department feels that a study of the kind called for under S. Res. 149 may be of doubtful value. Nevertheless, should a study of the effect of steel imports be considered desirable, we stand ready to work with other agencies in carrying it out.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of our report from the standpoint of the Administration's program.

Sincerely,

ROBERT E. GILES,
General Counsel.

DEPARTMENT OF STATE,
Washington, D.C., October 18, 1965.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in reply to your letter of September 29 asking for the Department of State's comments on Senate Resolution 149. The proposed resolution seeks to put the Senate on record as requesting the President to cause the Department of Commerce to undertake a study primarily concerned with: (1) possible unfair below cost pricing of steel imports; (2) the impact of increasing imports on the domestic industry; (3) the impact of imports upon the United States balance of payments; and (4) the effect of Government efforts to restrict the outflow of private capital on the flow of imports.

The Department of State has been closely following developments in international trade in steel and is of course concerned with the international competitive position of the United States steel industry. In frequent meetings with this industry we have had opportunity to explore its problems. It seems clear that the industry's competitive position in the world is affected by a number of factors, including pricing policies, technological change and investment, competition from other materials, and so on. The Department considers that all of these considerations would need to be examined in depth in order to deal fully with the subject of imports of steel products.

As the Committee knows, specific subjects covered by Senate Resolution 149 fall within the responsibilities of a number of Government agencies, most particularly the Department of the Treasury, which has a primary concern both for below cost pricing of steel imports and for the balance of payments. While the Department of State would defer to the Treasury on these matters, it nevertheless wishes to express its doubts as to the wisdom of a study of the effect on the balance of payments of steel imports, or for that matter imports in any individual industry or commodity sector.

The United States has the largest trade surplus of any country in the world, and in absolute terms the largest in history. This surplus not only is a major element in our balance of payments but it contributes directly to profits for American industry and employment for American labor. We frequently encounter expressions of concern from other countries about the size of the United States trade surplus, both in its totality and in individual items. It would be greatly to our disadvantage to appear to give credibility to the concept of balancing trade by industry or commodity sectors, since such a concept undoubtedly could and would be seized upon by other countries to justify restrictive action against United States exports.

A second subject covered by the resolution is "unfair, below-cost pricing" of imports. In the Antidumping Act of 1921 the Congress has provided that sole responsibility for investigating such complaints rests in the Department of the Treasury. The Treasury has made numerous investigations of instances in which sales at less than fair value have been alleged. Where such complaints have been found to be valid it has sent the cases to the Tariff Commission for a judgment as to whether a domestic industry was being injured by such sales. Any industry which claims that there is "unfair, below-cost pricing" of imports should present its case to the Department of the Treasury.

Under the Trade Expansion Act of 1962 and previous legislation, the Congress has given the United States Tariff Commission primary responsibility for investigating claims regarding the effect of increased imports on a domestic industry. It is to this body that an industry should turn if it seeks an escape clause or other type of investigation regarding the effects of imports.

For the above reasons, the Department of State has serious reservations concerning the study proposed by Senate Resolution 149. If, however, it is considered desirable to undertake an examination of the international competitive position of the United States steel industry, the Department considers that the several Executive Branch agencies concerned should conduct such an examination under terms of reference that would include so far as possible all relevant considerations.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

Sincerely yours,

DOUGLAS MACARTHUR II,
Assistant Secretary for Congressional Relations.

THE SECRETARY OF THE TREASURY,
Washington, D.C., October 14, 1965.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

MY DEAR MR. CHAIRMAN: I appreciate the opportunity to comment on the proposed S. Res. 149, which would request the President to cause the Department of Commerce to undertake a study of imports of steel mill products.

I readily agree that a study of the steel industry and the import situation is desirable if my colleagues in the other interested Departments of the Executive Branch feel that there are important gaps in their information on the situation in the steel industry. However, I do not believe that a resolution is necessary to accomplish that purpose. Your Committee could, of course, request the Tariff Commission to make such a study, or I am certain that the Department of Commerce would also be willing to undertake such a study at your request. By adhering to these established procedures, it would be possible to avoid the risk that a Senate resolution on steel imports could be misinterpreted as to motivation by the outside world with whom we do enjoy a strong over-all trade surplus. It is highly desirable to avoid a risk of interpretation abroad that the basis for a restriction on steel imports is being established.

I should also like to comment briefly on the operative sections of the proposed resolution. As regards point (1), I would note particularly that the Treasury Department's experience has shown United States steel producers to be generally very well informed on the pricing of steel imports; certainly they have not hesitated to file complaints with the Bureau of Customs under the Antidumping Act when they believe that there are sales of imported steel products below fair value. Treasury is now processing one such case and is fully prepared to undertake the processing of other cases on receipt of information that there may be such sales. Its own records and information available do not at this point indicate that there are such sales and, therefore, in the absence of a specific industry complaint, no other investigation under the Antidumping Act is presently being instituted.

As regards point (2), relating to the impact of imports, a question is raised of possible injury to the industry. It is my understanding that the study proposed could be undertaken in accordance with the well-established procedures provided by the Tariff Act and Trade Expansion Act.

I am, of course, interested in the question raised by point (3), relating to the impact of steel imports on the balance of payments. This, along with other important imports and exports, are matters that are under continuing review and deserve continued close scrutiny. I should perhaps note on the levels of steel imports cited in the resolution that a large part of this increase seemed to be related to anticipatory buying prior to the settlement of the threatened steel strike. There has been, of course, some increase in imports generally, which points both to the need for every improved export performance and the maintenance of a strong internationally competitive economy and wage and price stability.

Finally, with respect to point (4) of the resolution, I would like to draw attention to pages 24 to 30 of the statement Secretary Fowler made before the Subcommittee on International Finance of the Senate Banking and Currency Committee, which spelled out in some detail the basis for his conviction that our balance of payments program is not responsible for any slowing down in economic activity abroad. See copy attached. The monetary actions of those countries are at the center of their performance standards; if those authorities deem it appropriate to encourage greater expansion, the tools are readily at hand to them. Developments in this area are continually under review and you may be assured will continue to receive our closest attention.

With best wishes,

Sincerely,

JOSEPH W. BARR,
Acting Secretary of the Treasury.

STATEMENT BY THE HONORABLE HENRY H. FOWLER, SECRETARY OF THE TREASURY, ON THE U.S. BALANCE OF PAYMENTS, BEFORE THE SUBCOMMITTEE ON INTERNATIONAL FINANCE OF THE SENATE BANKING AND CURRENCY COMMITTEE, AUGUST 18, 1965

I. INTRODUCTION AND SUMMARY

I appreciate the opportunity to consider with this distinguished Committee the international financial position of the United States.

Since the crisis affecting the British pound last fall, the return to a very heavy rate of deficit in U.S. payments in late 1964 and early 1965, and the inception of President Johnson's balance of payments program last February, there has been increased interest in, and discussion of, international financial developments. These hearings are a valuable part of the national and international discussion of issues and exchange of opinion now going on in the search for means to improve the workings of the international monetary system.

The international financial position of the United States is one of the important elements of this problem. The principal aim of my testimony to you today is to place that element of the problem in perspective, because a lack of perspective has characterized much recent comment. I shall try to do so by discussions of the following topics, arriving at conclusions which I have summarized below the topic headings:

The workings of the U.S. balance of payments program, and what can prudently be concluded about results thus far.—The results are good, and encouraging. We achieved a small surplus in our payments in the second quarter of this year. But the period of surplus is too short, and too many special factors contributed to it to justify more than the conclusion that there is every reason to think we are on the right track, but that continued efforts on all fronts will be essential to yield sustained success.

The relationship of the United States balance of payments program to world liquidity and to the economies of other countries.—There is no evidence that the efforts of the United States to bring about an equilibrium in its transactions with the rest of the world, after many years of deficits, is having harmful effects on world trade or liquidity; *on the contrary*, any tendency of the economies of our trading partners to slow down is due to the conscious decision of their own financial and monetary authorities to avoid or diminish inflationary pressures by domestic restraints, and finally, by protecting the stability of the dollar as the principal world reserve currency, our balance of payments program—far from reducing liquidity—is a principal element in preserving existing liquidity. The benefits to the United States, and to every other national economy of maintaining confidence in the dollar are so great as to make confidence in the dollar the goal of highest priority—and equilibrium in our balance of payments is essential to that confidence.

The objectives of the United States in the development of an improved and strengthened world international finance system.—It is our objective to maintain the liquidity in the Free World monetary system provided by $27 billion in the official reserves and private holdings of foreigners, supported by the strength of the United States economy and secured by healthy economic growth at home and equilibrium in our payments abroad. At the same time, we seek in cooperation with other friendly nations to find the means to ensure against any future shortfall in the world's money supply, hitherto provided by our deficits.

Let me add, before I proceed to these topics, two comments that are indispensable, but often overlooked, background to all other elements of our discussion. These are, the great underlying strength of the dollar, and, the scope and character of the United States approach to the solution of its balance of payments problem.

Basic Strength of the Dollar

Our balance of payments difficulties are a curable ailment of a very sound economic body. The United States economy and its agent, the dollar, are overwhelmingly strong, at home and abroad. We have in this strength the means to cure the ailment without harm to ourselves and others. But since it is so easy to lose sight of this basic strength in discussion of the balance of payments problem, let me go over the principal facts.

Our productive output is enormous and growing, and our foreign trade surplus is far larger than that of any other country. Our international competitive position is benefitting from sustained cost and price stability relative to other countries. This productive potential and price stability make the dollar the strongest, and the most widely used, currency in the world; it is the only currency freely convertible into gold by foreign governments and central banks. The dollar is backed by the world's largest reserves of gold and is also backed by a large and growing excess of our total assets and claims abroad over our liabilities of all kinds to foreigners. Our official and private holdings of investment assets and other claims on foreigners totalled roughly $100 billion at the end of 1964, exceeding the total of foreign claims on us by some $40 billion. Our private international assets, which exclude all U.S. Government claims on foreigners, exceeded foreign claims on the United States by almost $20 billion, compared to $9 billion at the end of 1961.

The scope and character of the U. S. Program.

The great fundamental strength of the dollar allows the United States to approach its balance of payments problem in a manner that is at the same time measured and determined. It is measured, because we recognize the damage that could be done by hasty and ill-conceived action to shut off the flow of capital and trade to the weaker countries, to straightjacket the dollar in tight controls, or to impair the growth of our own economy. It is determined because we recognized that the strength of the dollar could be eroded away, and with it the underpinnings of the monetary system that has served us so well and upon which we must build in the future.

Our effort is consequently a broad one. It involves many interrelated programs which, in turn, require participation and support by many departments and agencies of Government, and the understanding and cooperation of business, labor and finance.

The role of Congress in this broad-ranging effort has been and remains a significant one.

Legislation *tightening the exemption from duty* enjoyed by returning residents has become law. The Bill providing an *exemption from the anti-trust laws* to the bankers who have been cooperating so effectively with us in the voluntary program has passed both Houses. The proposal to *extend the scope and duration of the Interest Equalization Tax* has been favorably acted upon by the House of Representatives and Senate action is pending. Hearings have been held by the House Ways and Means Committee on the Bill designed to *remove certain tax obstacles to foreign portfolio investment* in the United States.

The voluntary programs that Secretary Connor and Governor Robertson have described before this Committee and the legislative action which you have been taking in this session are important links in the chain of defenses we are building for the dollar. While I will not discuss them in detail today, it is important to remember that there are other links as well. In outlining the ten-point program on February 10, the President emphasized that we must continue to minimize the foreign exchange costs of our defense and aid programs; narrow our tourist gap by encouraging our friends from abroad as well as our citizens to see the U.S.A.; and to redouble our efforts to promote exports and thus earn more trade dollars.

Within the Executive Branch, our balance of payments program is fully coordinated at the Cabinet level. Our formal channel and organized forum for doing this is the Cabinet Committee on Balance of Payments, under my chairmanship, which includes as regular members—

Secretary of Defense McNamara
Secretary of Commerce Connor
Under Secretary of State Ball
Administrator of AID Bell
Special Representative for Trade Negotiations Herter

Budget Director Schultze
Council of Economic Advisers Chairman Ackley
Mr. Bundy, The White House

Both Chairman Martin of the Federal Reserve Board and the Export Expansion Coordinator, Mr. Goldy, have participated actively and frequently in the Committee's work. The heads of other departments and agencies concerned with particular subjects which may come before the Committee are included, as appropriate.

This Committee meets at frequent intervals, providing us at the Cabinet level with an opportunity for full discussion of what has been attempted and achieved, as well as an opportunity to thrash out any differences we may have. The Committee reviews the program in over-all terms, and it appraises the program from both the short and the longer-term outlook. It examines the problem and the program in the light of world developments and needs as well as in the light of our own objectives. From time to time it reports to the President on these matters.

The work of this Cabinet-level Committee is supported—and its coordinati... role in carrying out our over-all payments program is further extended a... supplemented—by an Executive Committee of the same agencies, meeting at the Assistant Secretary level.

II. ASSESSMENT OF THE UNITED STATES BALANCE OF PAYMENTS PROGRAM

As figures for the balance of our international payments for both the first and the second quarter of this year have appeared since my predecessor testified before this Committee last March, I will review these developments very briefly.

The first half of 1965

In the first quarter of this year we had a *deficit* on a regular transactions basis of $756 million, after adjustment for seasonal factors. In part, this deficit resulted from a sharp reduction in our earnings from trade due to a dock workers strike extending from mid-January through late February. This work stoppage cut our exports much more than our imports. In part also, the first quarter result was influenced by an exceptionally large outflow of funds from banks and others in the early weeks of the year. Large as the deficit was in the first quarter of 1965, however, it was sharply below the deficit in the final quarter of 1964. As the first quarter ended signs were beginning to appear that the new program was taking hold.

In the second quarter, according to the preliminary figures that have just become available, we had a surplus amounting to some $132 million, on a regular transactions basis.

Among the scarce supporting data for the second quarter are figures on the flow of bank credit abroad. In the first quarter there was an outflow of $438 million from banks. In the second quarter there was a net *in*flow of dollars to the U.S. amounting to $368 million. These numbers can be taken as a good measure of the key role of changes in bank credits to foreigners in our recent balance of payments results.

We do not yet have similar data on the flow of direct investment funds, remittances of foreign investment income, and the like, needed to assess the contribution of non-financial business firms participating in the President's program for voluntary restraint of dollar flows abroad. Such incomplete data as we have, indicate, however, that in the second quarter business firms have continued the repatriation of deposits and of other short-term funds held abroad that began in Feburary and March.

New foreign-security issues were somewhat larger in the second quarter than the first—largely reflecting heavy borrowing by Canada in our market—bringing the first-half total of such issues roughly in line with 1964 levels. Transactions in outstanding foreign securities continued in this quarter—as they have ever since the announcement of the Interest Equalization Tax in mid-1963—to show a moderate capital reflow, through net liquidation of such holdings by Americans.

We know too from data now available that the resumption of exports following the end of the dock strike in February also contributed to the improvement of our balance of payments in the second quarter.

I would add that, in reviewing these second quarter results, it is equally important to keep our continued gold losses in mind. While the outflow of gold slowed somewhat, the plain fact is that official foreign holders of dollars during the second quarter preferred to cash in for gold some 300 million of those dollars—dollars that can be invested to earn 4 percent or more. The effect was to diminish both our reserves and Free World liquidity in the same amount. This flow of gold to central banks does not include some $259 million of gold payments to the International Monetary Fund to cover our increased quota in IMF.

Special factors that must be taken into account

Scarcely one of these results for the first and the second quarters of this year can be accepted at face value in assessing the results of our balance of payments programs thus far.

First of all, the time period is short: we have reports for only four full months—March, April, May and June—affected by the President's balance of payments program announced February 10. This is simply too short a period on which to rest much analytical weight.

Second, the surplus we can report, for the second quarter, is very thin—only $132 million. In a calculus involving $80 billion in transactions in a single year, and in a situation in which we have had deficits in every one of the 28 quarters of the past 7 years, averaging almost $900 million per quarter, we could not take a surplus of this size, in one quarter only—even if its significance was not obscured by factors special to the quarter—as being more than an encouraging invitation to press on with our efforts.

The facts, however, are that the second quarter success is *exceptionally* qualified by obscuring special factors. Some are temporary influences. These include the distorting effects upon trade of the dock strike in the first quarter, which shifted something like a net $300 million of exports that otherwise would have been registered earlier into the accounts for the second three months of the year. Similarly, some part of the outflow of long term bank loans and of corporate deposits of liquid funds abroad immediately preceding the President's program presumably would otherwise have been made in the second quarter. This development thus made the first quarter deficit larger while it fortuitously improved second quarter performance.

It should also be borne in mind that a part of that improvement in our payments situation which is attributable to the cooperative effort of our banks and business firms has been of a one-time, non-recurrent character.

Thus, the reflow in bank credit that I discussed earlier is not likely to be repeated—at least to the same extent, for there is now room under the Federal Reserve Guidelines for a modest increase in credit to foreigners.

Available evidence also indicates that the quickest and largest effect so far of the guidelines suggested to business firms by the Commerce Department has been the substantial return to this country of liquid balances held in foreign banks and money markets in excess of necessary operating requirements. It seems only prudent to assume that the great bulk of the balance of payments benefits to be expected from this particular aspect of the voluntary cooperation program has also already been achieved.

Taking account of these temporary distortions, it might very well be more accurate, and more prudent, to measure the extent of our apparent progress so far on the basis of our payments position during the first half of this year as a whole. We have a first half deficit at an annual rate of $1.2 billion. While this is indeed a very considerable improvement, it nevertheless leaves us still far to go before we can be confident that we are approaching conditions in which we could look ahead to sustained equilibrium in our international payments.

Looking ahead

This analysis of the factors at work in the first two quarters of the year gives no assurance that we will not be in deficit in the second half of the year.

Further, there are other influences that will count against us in the rest of the year. Record numbers of American tourists are now spending large amounts of dollars abroad.

In the Government area, the step-up in our participation in Vietnam will inevitably result in some balance of payments cost, although that cost need not be so large as to throw us off course. And, our imports have been rising rapidly while our exports over the first half as a whole, have failed to keep pace.

Taking all of this together, it is patent that we could not afford at this time to relax any feature of our program for overcoming our balance of payments problem.

Let me note in concluding this review that the results are not significantly changed whether they are viewed on the regular transactions basis which I have used and will use in the remainder of my remarks, or whether we view them on the official settlements basis recommended by the Review Committee for Balance of Payments Statistics led by Dr. Edward Bernstein.

On the official settlements basis the first quarter would show a seasonally adjusted net deficit of approximately $750 million. In the second quarter there would continue to be a small surplus, of about $230 million. The spread is not larger, contrasting to quite large differences in the past, particularly in the second half of 1964, because private dollar holdings abroad that normally account for the largest difference between the two measures have in recent months shown no change or a moderate decline, after seasonal adjustment.

III. THE UNITED STATES BALANCE OF PAYMENTS PROGRAM AND THE ADEQUACY OF WORLD LIQUIDITY

I address myself hereto three widely divergent views about the future of the dollar:

First, that the United States might fail to solve its balance of payments problem, continue to run large deficits, eventually exhaust the world's confidence in the dollar and create a confidence crisis that would lead to a run on gold, deplete our gold stock and dry up existing liquidity.

Second, that even the tentative and partial success the United States is having in bringing its international payments into equilibrium, and similar further progress, is capable of putting a restraining hand on economic growth and of setting off a world deflationary spiral.

Third, that following upon sustained United States success in righting its payments position, the world money supply will become inadequate to the conduct of the world's business, leading to retardation of economic growth and world depression.

Clearly, all three of these views cannot be correct. The truth is that the first two are extreme and overdrawn, and diametrically opposed. The third may be realistic with respect to some time in the future, and I will discuss in the concluding section of this testimony the steps we are taking to address our international monetary policy to this possibility.

Let me examine a few of the basic facts bearing on these issues.

The only fact or set of facts relevant to the first speculation—what would follow if the United States failed to maintain confidence in the dollar by failing to bring its international payments into equilibrium—is that our program for balancing our payments is one of the United States government's most firmly held, extensive and active policies, for which the President of the United States has obtained the vigorous support of the nation's business and financial community, and to the successful accomplishment of which the entire relevant apparatus of the United States government is directed. As has been previously stated, we have good news from this front, indicating that we are on the right track. We are not going to get off it, anymore than we are going to be deluded by preliminary and tentative gains into thinking the battle has been won. And, finally, not only are we determined to restore and sustain equilibrium, we have the advatage of enormous underlying economic strength to help us do so.

Let me turn to the facts bearing upon the second—and even, in most respects, the third—of the above speculations.

First is the fact that the demand for liquidity takes many forms satisfied in many different ways, according—to cite a few cases—to whether official or private funds are concerned, whether funds are needed to finance deficits in international payments, or whether funds are needed to transact international trade, or to finance domestic growth. Omnibus statements that world liquidity will become inadequate have little meaning in the face of this variety of needs and the variety of ways in which they can be met.

Next come the facts about what is currently happening to the supply of funds in the world. In the first six months of this year official reserves declined very slightly: by some $300 million, or by about half of one percent. What needs to be emphasized here is the fact that this did not result from the United States balance of payments program. It resulted, instead and quite on the contrary, from the snuffing out of part of the world's money supply through the exchange of monetary reserves—chiefly dollars—for U.S. gold, by *other countries*.

The further fact about this small drop in world liquidity is that it is the net of a process, again involving gold transactions, through which United States liquidity was reduced by some $900 million while funds available to other countries *rose* by $600 million. Very clearly, the current success of the United States in dealing with its balance of payments problem is not causing world liquidity to decline.

And—let me give this strong emphasis—*what these figures bring out most sharply is the fact that failure by the United States to dry up its international deficits would be almost certain to lead to a serious drop in international liquidity, because loss of confidence in the dollar would accelerate conversions of dollars into gold at the expense initially of our own reserves, but subsequently at the expense of every country with a stake in effective monetary arrangements.*

We can, and I think we should, state this otherwise and positively: the United States program for bringing its international payments into equilibrium is the best guarantee the world has of continued adequate liquidity. Failure to take this course to protect the world's principal reserve currency would be the quickest route to a depleted world supply of funds, and to economic contraction.

Let us look briefly at an indicator of liquidity, the supply of and demand for Euro-dollars, dollars that are in use in foreign countries. The interest rates that must be paid to borrow Euro-dollars give us a reasonably good picture of the relation of supply to demand. On three occasions since President Johnson's balance of payments program was announced last February, the Euro-dollar rate has turned up. But these were only passing flurries. Today, the Euro-dollar rates are just slightly above the levels of last January and February.

Our program has no doubt resulted in the repatriation of substantial amounts of dollars from the Euro-dollar pool by United States firms. But Canadian and U.K. banks have apparently almost completely refilled the pool by withdrawals of funds from United States banks. The very small net effect upon the United Kingdom and Canada appears to have been mostly offset by some increased flow of dollars to them from the continental European countries.

Finally, what, if anything, has been the impact in international trade? Here too we are dealing with an indicator: A substantial drop in trade can be taken as an indication of trouble in the international financial picture. The evidence to hand is skimpy, but what we have fits the rest of the picture—a world with adequate funds to do its business.

Some individual country considerations

Some concern has been expressed that our program generally might adversely affect liquidity in the international payments system, tend to impede the growth of economies abroad, and restrain the desirable expansion of international trade. Moreover, it is sometimes suggested that the program has seriously aggravated more directly the economic positions of some countries, particularly the U.K., Canada and Japan. Such concerns do not seem to me justified by the facts.

In most of the industrial countries—more particularly those in Western Europe—economic expansion continues and the pressure of internal demand remains strong. These governments, relying on restrictive monetary policies to avoid inflation, have welcomed our balance of payments measures for the support given to domestic restraints abroad. To illustrate the scope of their efforts, I am making available to the Committee a country-by-country survey of the restrictive internal measures that have been taken by foreign governments and central banks during the last 18-month period. With respect to these countries,—broadly characterized by strong reserve positions and brisk domestic economic activity amidst varying degrees of inflationary pressure—there is no basis for any conclusion except that the tools and resources are at hand to strengthen domestic demand, when and if they consider it appropriate to do so.

With respect to three countries which have, to greater or lesser degree, been experiencing balance of payments problems, some additional comments are perhaps appropriate. I refer, of course, to Canada, Japan and the United Kingdom. We have sought in our program—and I believe successfully—to avoid aggravating the problem of those countries.

Canada

Canada's economic growth in the last few years has paralleled ours. It has been impressive. Canada is now operating at high levels of employment and output.

As I have noted earlier, our voluntary program has resulted in a very substantial repatriation of U. S. corporate deposits in Canadian banks, but these withdrawals of dollars from Canada have been met in substantial part by withdrawals by the Canadian banks of dollars invested in the New York money market and in part by dollars obtained from third countries. There is no evidence that our program has hampered Canadian growth by starving it for credit, nor have Canada's official reserves been reduced, even in the face of rapid growth. Indeed, Canadian official reserves dropped only minimally the first half of this year—a period of normal seasonal losses of significant amount. Canada has of course an exemption under the Interest Equalization Tax for new security issues, and it has used this exemption freely to maintain its reserves. In the first six months of this year new Canadian issues in the U. S. have amounted to $325 million.

The recent large sale of Canadian wheat to the Russians should have a substantial favorable impact on Canada's trade balance, and thus mitigate its need to raise long-term capital in the United States. In any event, the promising outlook in Canada does not appear in any way to be prejudiced by our program.

Japan

Industrial production in Japan tended to flatten out about the turn of the year, before the U. S. balance of payments program was announced. Even earlier, there was a downturn in the Japanese stock market, and this preceded by some months the announcement of the United States Interest Equalization Tax. The fact is that Japan, over recent years, has had very rapid rates of growth, running well over 10 percent annually. Some adjustments were inevitable in the process of tailoring the economy to rates of growth more sustainable for the longer-run future. A major portion of this adjustment appears to have been accomplished and economic activity at a faster pace may now well be in the offing. This is in part being facilitated by moves toward a relatively easier monetary policy gradually adopted over recent months, as the Japanese balance of payments showed very substantial improvement as exports moved sharply higher. For this year, a substantial surplus on goods and services transactions is expected.

When the Interest Equalization Tax was applied to bank lending as a part of our program, a limited exemption from it was granted for government or government-guaranteed borrowings in our market. This gave added assurance that Japan's needs for external capital would be met. The subsequent record shows that Japan's reserves have not deteriorated, and much of the tax-free borrowing authority even now remains unused. With Japan's internal economy seemingly generating renewed strength and its external position very promising, an improved situation exists unimpaired by our balance of payments program.

The United Kingdom

The problem of correcting a serious balance of payments deficit faced Britain long before the announcement of our program. A sharp increase in imports in 1964 in an economy characterized by brisk employment and inflationary stresses required the adoption of measures to stem the resulting pressures on the pound sterling. Very simply, Britain could not sustain for long a balance of payments deficit of the magnitude of over $2 billion incurred in 1964, nor could it afford a continuation of the inflationary pressures adversely affecting its competitive position.

Measures to correct the situation were introduced last November prior to our program and have since been successively reinforced by the British government, most recently on July 27. The measures taken show clear promise of moving toward achievement of the necessary correction.

The essential point is that these measures were necessary before our program was announced; it is worth noting that the severe pressures on sterling last November came at a time when we were incurring a massive quarterly deficit. So far as we can determine, our program has not in any significant way aggravated the basic adjustment problem facing the British authorities.

We were aware of the possibility of some adverse side effects resulting from our program. For this reason, in administering our voluntary restraint program, we have called attention to the balance of payments problem facing the

U.K. and we have urged that appropriate consideration be given. We feel that this has been done, and will continue to be done.

Summary

What emerges from this review is that the swing from the very substantial U.S. deficits late in 1964 and in early 1965 to the modest surplus of the second quarter—about as rapid a transition from dollar outflow to dollar repatriation as we are likely to have—has not damaged the economies of the advanced industrialized nations, or dimmed the prospect for flourishing world trade.

One of the most reasonable appraisals of recent events has come from the Bank for International Settlements. The BIS stated in its latest annual report, released in Basle on June 14:

For the western industrial countries the main economic problems with which policy had to contend during the past year were the curbing of inflationary pressures in the continental countries, the currency crisis in the United Kingdom and the large increase of capital exports in the United States. In all these respects the situation at present is better than it was six months ago, though it is not yet clear that the difficulties have been fully overcome.

THE DEVELOPING COUNTRIES

We, of course, have a strong interest in seeing that conditions continue to exist in which the less developed countries will be able to obtain the capital they need for their continued expansion. The policies the United States is following at present contribute to that end. I need not repeat the facts cited by Secretary Connor and Governor Robertson. Under our balance of payments program, direct investment in the less developed countries is in no way discouraged. As for other capital flows, clear priority is assigned to meeting the needs of these countries, a priority second only to that of providing financing for our exports. These guidelines have been observed. For example, we know that bank commitments on longer term loans to less developed countries during the first half of 1965 were equal to those of the January–June period of the previous year. We have every confidence these demands for needed capital will continue to be met.

More generally, and looking further ahead, I should note that policies that contribute, as we intend that our policies should, to the continued healthy growth of the more industrialized nations, contribute thereby to the creation of capital available for use in the less developed countries.

Contrarily, policies that failed to encourage sound growth of the capital exporting nations would certainly be felt—and probably felt first and most strongly—in the capital-needy countries as capital available for export became increasingly less abundant.

IV. OUR LONGER TERM OBJECTIVES

Before concluding, I would like to speak very briefly of our approach to the longer-term objective of international financial policy. As we take this somewhat longer look ahead, let us not forget that the international monetary system created at Bretton Woods over 20 years ago has been extraordinarily effective and resilient. During the past 20 years, the industrial nations have created powerful new economies. A number of important currencies have become freely convertible. International trade has flourished, increasing over one-third in volume in the first four years of this decade alone.

Nevertheless, we must be alert to the possibility that continued growth of the world's economy together with sustained equilibrium in the United States payments position could combine to create an eventual shortage of liquidity. This is the single *real* danger of which I spoke earlier. It is the danger that prompted the United States proposal—set forth in my Hot Springs address of July 10th—that we begin, together with other nations, the careful preparation and consultation that is a necessary prelude to monetary reform. I believe the nature of this problem is becoming widely recognized. Again, the Annual Report of the BIS provided an interesting view of the issue. That Report stated:

"For the first time in some years there is some prospect of a substantial reduction in the payments imbalance between the United States and Europe. If this occurs, the potential problem of inadequate means for increasing reserve assets may come closer to reality. From the standpoint of aggregate reserves, it would be likely to take considerable time before the system as a whole were short of liquidity. But from the standpoint of the annual margin for increasing reserves, various countries might feel themselves adversely affected after a rather shorter time. A situation of balance in the external position of the reserve currencies would provide the conditions for more fruitful discussion of this problem.

Exactly when the shortage of liquidity will take place, where it might first appear, what the extent might be, how it will be distributed from country to country, how it will be divided among the private and official monetary components—these are questions that we cannot now answer. But we do know that we should be prepared to deal with these problems, when and if they do arise, in an orderly fashion.

As you know, United States representatives are in almost constant discussion with their counterparts in other countries on international monetary problems. We have participated actively in the deliberations of the Group of Ten. Meetings of Working Party 3 and other committees of the Organization for Economic Cooperation and Development are attended regularly by people from the Treasury, the Federal Reserve System, and the Council of Economic Advisers, and afford opportunities for a frank exchange of views. Free World central bankers meet monthly in Switzerland. We, of course, play an important role in such international financial organizations as the International Monetary Fund and the International Bank for Reconstruction and Development. Out of such consultations have come a number of innovations that have helped the international monetary system to cope with recent problems. And these consultations have helped lay a base for the further preparation and agreement essential to reach the international consensus that must underlay monetary reform.

Since announcing the U.S. initiative to intensify and give urgency to the negotiation of new and improved international monetary arrangements, I have been privileged to consider this problem here in Washington separately with Finance Minister Takeo Fukuda of Japan and Walter L. Gordon of Canada.

I will be leaving for Europe shortly to consult with my counterparts in a number of leading European nations on how best to proceed in this effort, without delay, but on the basis of careful and deliberate preparation. I look forward to hearing the views of our friends abroad. I intend to present them with a first-hand picture of the nature of our program here, its results to date, and our attitude toward the longer-range issues—the subjects I have been discussing with you here this morning.

U.S. Tariff Commission,
Washington, D.C., October 14, 1965.

Hon. Harry F. Byrd,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: This is in response to your request of September 29, 1965, for the Tariff Commission's comments on S. Res. 149 of the 89th Congress, a resolution introduced by Senator Hartke, for himself and ten other senators.

The resolution requests the President to cause a study of imports of steel mill products to be undertaken by the Department of Commerce, utilizing other appropriate Federal agencies, with particular respect to the following subjects:

(1) The possibility of unfair, below-cost pricing of steel mill product imports to the United States,

(2) The impact of rapidly increasing imports of steel mill products upon the profitability of the domestic steel industry and the employment, income, and tax revenues generated by that industry,

(3) The impact of such imports upon the maintenance of equilibrium in the balance of international payments of the United States, and

(4) The effect of efforts of the Government to restrict the outflow of private capital upon the demand for steel products in foreign countries affected thereby.

S. Res. 149 would establish a dual, redundant mechanism within the Government for studying the various effects of increasing imports of steel mill products. For example, the Commission observes that the Secretary of the Treasury is responsible for keeping under constant surveillance the pricing practices employed in the sale of foreign steel mill products for exportation to the United States under the terms of the Antidumping Act, 1921, as amended (19 U.S.C.

160 *et seq.*). That Department has actively investigated the foreign pricing structures of several steel mill products in recent years and, as a result of its investigations, has determined that there were sales at less than fair value in at least seven cases in the last two years. The Tariff Commission has determined that imports in two of these cases were causing or likely to cause injury to a domestic industry, with the result that special dumping duties are being assessed with respect to such imports. The Tariff Commission has every reason to believe that the Treasury Department has investigated, or is investigating, every case brought to its attention either by complaint or other means. If subject (1) relates to sales at less than fair value within a dumping sense, the Commission perceives no reason why another Government agency needs to be employed in making such a study. On the other hand, if subject (1) is intended to cover an "unfair method of competition" of a type to be investigated under section 337 of the Tariff Act of 1930, or a general study of domestic sales of those foreign steel mill products which are sold at less than the cost of production of the like or similar domestic products, pursuant to section 332 of the tariff act, the Tariff Commission is prepared to make such an investigation upon the request of your Committee.

As to subject (2), the Commission directs your attention to section 332(a) of the Tariff Act of 1930 which, *inter alia*, directs the Commission generally "to investigate the operation of customs laws, including their relation to the Federal revenues, their effect upon the industries and labor of the country, and to submit reports of its investigations as hereafter provided". The section thereafter provides that the Commission shall make such investigations whenever requested by the Senate Finance Committee. Section 333 of the Act vests special investigatory powers in the Commission to compel the attendance of witnesses, the production of evidence, and to hold public hearings in conjunction with such studies. As subject (2) falls directly within the traditional investigative functions of the Commission, and as the Commission has investigatory powers and procedures specially designed to facilitate such studies, the Commission is prepared to make the study proposed in subject (2) upon the request of the Finance Committee.

Subjects (3) and (4) of the proposed study relate to matters which are under constant surveillance and study by both the Department of Commerce and the Department of the Treasury. The Commission suggests that these Departments may already be in a position to make a report on subjects (3) and (4) if they have not already done so.

Clearly all four subjects of the resolution are interrelated. If the main interest of the resolution lies in the interrelationship among and integration of its four component subjects, such an integrated objective study is of the kind traditionally conducted by the Tariff Commission, a nonpartisan agency. The Commission is directed by statute to make such studies at the request of your Committee.

Sincerely yours,

DONN N. BENT,
Secretary
(By direction of the Commission).

The CHAIRMAN. A large number of persons desire to be heard. In order to give them all an opportunity, witnesses will be asked to restrict their oral presentation to the time stated on the witness list. If requested, the witnesses' statements may be inserted in the record following the witnesses' presentation provided the statements are not too long. Otherwise they will be kept for committee documents.

Without objection, the record will be kept open until June 22 to enable other persons who desire to do so to submit their written views.

Our first witness this morning is the Assistant Secretary of Commerce for Domestic and International Business, Mr. Alexander B. Trowbridge.

STATEMENT OF ALEXANDER B. TROWBRIDGE, ASSISTANT SECRETARY OF COMMERCE FOR DOMESTIC AND INTERNATIONAL BUSINESS, ACCOMPANIED BY SETH BODNER, OFFICE OF THE GENERAL COUNSEL, AND DEAN C. PETERSON, IRON AND STEEL DIVISION, BUSINESS AND DEFENSE SERVICES ADMINISTRATION

Mr. TROWBRIDGE. Mr. Chairman, members of the committee, Senator Hartke. I have with me Mr. Seth Bodner of the Office of the General Counsel of the Department of Commerce and Mr. Dean Peterson of the Iron and Steel Division of the Business and Defense Services Administration.

We have prepared a statement with an annex of some statistics which I believe you have in front of you, Mr. Chairman.

With your permission, I would like to read the prepared statement.

First of all, I would like to thank you very much for the invitation to testify on Senate Resolution 149.

This resolution, if passed, would request the President to cause a study of imports of steel mill products to be undertaken by the Department of Commerce, utilizing other appropriate Federal agencies, with particular respect to (1) the possibility of unfair, below-cost pricing of steel mill product imports to the United States; (2) the impact of rapidly increasing imports of steel mill products upon the profitability of the domestic steel industry and the employment, income, and tax revenues generated by that industry; (3) the impact of such imports upon the maintenance of equilibrium in the balance of international payments of the United States; and (4) the effect of efforts of the Government to restrict the outflow of private capital upon the demand for steel products in foreign countries affected thereby.

Mr. Chairman, with your permission, I would like to discuss and present our views on each of the points of the study called for as they appear in Senate Resolution 149.

With respect to point 1, the lower prices generally charged by foreign steel producers in comparison to prices of comparable products sold by domestic manufacturers are a major reason for the increased imports of steel mill products into the United States. In this regard, the Antidumping Act of 1921 and the regulations thereunder provide that special dumping duties shall be assessed after: (1) The Secretary of the Treasury determines that a class or kind of foreign merchandise is being, or is likely to be, sold in the United States or elsewhere at less than its fair value; and (2) the Tariff Commission determines that a U.S. industry is being or is likely to be injured (or is prevented from being established) by reason of the importation of such merchandise at less than fair value prices.

The steel industry has filed a number of complaints under the antidumping laws during recent years, and a representative of the Treasury Department is here today to discuss that Department's experience with these cases and the operation of the antidumping laws and recently revised regulations.

We feel that questions concerning unfair, below-cost pricing of steel mill product imports can most effectively be considered on a case-by-case basis, and that the antidumping procedures are best suited to this purpose. Only through comprehensive investigations undertaken in this manner can it be established that imports of a particular type of steel mill product are in fact being sold at less than fair value. In light of the myriad steel products involved in our trade, a general study of the kind contemplated in point 1 would be a study in the abstract and of limited value.

With respect to point 2 of the resolution, I would emphasize the Department's concern about the generally increasing imports of steel mill products and the effect of such imports on the domestic industry. As a basic industry, the importance of steel in the structure of our economy, and its performance as a measure of the relative health of our total economy should not be minimized. Both the Tariff Act of 1930, as amended, and the Trade Expansion Act of 1962 provide for Tariff Commission investigations and evaluations of the impact of imports on a domestic industry. All relevant economic factors are to be considered in such investigations, and it seems clear that this existing authority includes and exceeds in coverage the economic factors referred to in the resolution.

Much of the information called for under point 2 is already available to the Department. The United States is the world's leading steel-producing country, and the largest market for steel mill products. Japan, 43 percent; Belgium-Luxembourg, 17 percent; West Germany, 11 percent; and France, 8 percent, accounted for almost 80 percent of all U.S. steel imports in 1965.

The United States has been a substantial net importer of steel mill products since 1959. In that year, in part as a result of the labor contract negotiations and the prolonged steel strike, imports rose sharply from 1.7 million tons in 1958 to 4.4 million tons. Imports declined in 1960 and 1961. By 1964 they totaled 6.4 million tons and, influenced by the strike threat, reached a total of 10.4 million tons in 1965. In the first 4 months of 1966, imports totaled 2.7 million tons, falling to a projected annual rate of 8.1 million tons in 1966, a reduction, at an annual rate, of 22 percent from the previous year.

In 1957 imports accounted for 1.5 percent of apparent consumption—shipments by domestic producers, plus imports minus exports—of steel in the United States. By 1964 this percentage had increased to 7.3 percent and to a record 10.3 percent in 1965. For certain products such as wire rods, wire products and concrete reinforcing bars, imports equal almost one-half of domestic consumption. The impact of imports is also greater for certain parts of the country, such as the west coast and Florida. Obviously, the impact is greatest on producers specializing in these products and located in the areas where imports are concentrated.

In the past, imports have been concentrated in the lower value products such as bar and wire, but there has been some shift to higher value products in more recent years. For example, sheet and strip, which were 9 percent of total imports in 1959, rose to 34 percent in 1965.

Despite the inroads which imports have made into U.S. markets, the American steel industry in 1963 entered a period of high-level demand and output. In 1965 steel ingot production set a new record of 131.2 million tons, while shipments of steel products reached a high of 92.7 million tons. Current estimates indicate that production in 1966 may slightly exceed the record set in 1965. Thus, the high level of demand for steel in recent years, while encouraging imports, has maintained sales by U.S. steel plants at record levels.

Increased sales, advances in productivity, the investment tax credit and the tax cut boosted profits after taxes in the steel industry in 1964 by approximately 27 percent over 1963. The 1964 profits at $99.3 million were equal to 6.1 percent of sales, up from 5.4 percent in 1963. In 1965 profits rose again to $1,066.5 million, and were equal to 6 percent of sales. Profits as a percent of equity were 7.1 percent in 1963, rose to 8.7 percent in 1964 and to 8.9 percent in 1965. The new depreciation guidelines, the investment tax credit and increased profits have spurred expenditures for new plant and equipment in the steel industry. These expenditures totaled $1.8 billion in 1965 and may reach a record $2.2 billion in 1966. The primary purpose of this investment, of course, is to improve efficiency and cut costs.

Employment in the steel industry has risen in the last 2 years as a result of the high level of production. In 1965 total employment averaged 660,000, the highest since 1957. Because of the improvement in productivity, employment has not risen as fast as output.

In summary, our information indicates that the domestic industry is experiencing increased sales, advances in productivity, increased profits after taxes, high investment, operations at high levels of capacity utilization—but is faced at the same time with imports gaining a greater share of the domestic market and with a decline in export sales.

Point 3 of the resolution concerns the impact of imports of steel mill products on the U.S. balance of payments.

The seriousness of our balance-of-payments problem renders it imperative to review on a continuing basis all of our domestic and foreign economic policies which have a bearing on the imbalance in our international payments.

Our overall favorable balance of trade has contributed significantly to reducing our imbalance in international payments, and we are concerned with any development that would lead to a deterioration in our balance-of-trade position. The U.S. favorable trade balance—on a balance-of-payments basis—in 1965 totaled $4.8 billion. Consistent with our desire to encourage economic growth, we are seeking in many ways to maintain and improve our trade position. It should be noted that we have maintained a favorable trade balance with the European Economic Community, one of our principal competitors in steel. Last year, for example, our favorable balance with the EEC was $1.6 billion.

Steel mill product exports from this country have been on a generally declining trend. Exports since 1959 ranged from a low of 1.7 million tons in that strike year to 3.4 million tons in 1964, and 2.5 million tons in 1965. Exports in the first 4 months of 1966 were only 634,000 tons, an annual rate of 1.9 million tons.

The CHAIRMAN. Could I stop you there for just one moment?

Mr. TROWBRIDGE. Certainly.

The CHAIRMAN. You say here that last year, for example, our favorable balance with the EEC was $1.6 billion. Now, do you reach that figure after taking out the foreign aid that we are giving those countries?

Mr. TROWBRIDGE. This is a trade balance and, I believe, that the level of the foreign aid to the European countries at this time is practically nil.

The CHAIRMAN. Does that favorable balance include the freight and insurance cost of bringing those products over here?

Mr. TROWBRIDGE. No.

The CHAIRMAN. In other words, my impression is that the figures that you bring us are figures that your customs collectors give you when they collect tariffs and that tariff is based on the foreign value, usually.

Mr. TROWBRIDGE. That is right.

The CHAIRMAN. And they do not include the cost of shipping those goods over here nor the cost of insuring them.

Now, when you speak of a favorable balance, I should think that you would have to adjust that and take into account the freight and insurance.

Mr. TROWBRIDGE. I believe you are correct, Mr. Chairman, in that the Census Bureau figures on the value of our imports are based on an f.o.b. value. I might say that on the total balancing of the f.o.b. payments——

The CHAIRMAN. You mean f.o.b. there, not f.o.b. here?

Mr TROWBRIDGE. F.o.b. there; yes, sir. But the total balancing of the balance-of-payments analysis, when you add up the trade balance and then bring in the invisibles, such as freight and insurance payments, those come into the total balance-of-payments analysis, although they may be treated differently in the balance of trade.

The CHAIRMAN. Yes; but your statement here is that you have a favorable trade balance.

Mr. TROWBRIDGE. That is right.

The CHAIRMAN. And that does not refer to a payments balance. Now, there is a difference between the two. That is why it seemed to me that, in looking at this, we ought to——

Mr. TROWBRIDGE. Distinguished between the two.

The CHAIRMAN. In this category here, we ought to get an adjustment for freight and insurance so we would know what that—at that rate, I assume it would still be favorable but not by $1.6 billion.

Mr. TROWBRIDGE. That is right.

The CHAIRMAN. Do you have any idea what the downward adjustment would be from that figure?

Mr. TROWBRIDGE. I could not give it to you right now, but I would try to make an analysis.

The CHAIRMAN. Would you try to make an educated guess for the record on that?

(The following reply was received from the Department:)

At the hearings you made a request for an estimated United States balance of trade figures revised to account for insurance and freight payments. As you know, there are many problems associated with the preparation and use of trade statistics adjusted to account for insurance and freight factors. At present the Tariff Commission and the Bureau of the Census, as well as the Office of Business Economics and the Bureau of International Commerce of this Department, are carefully considering the entire matter. Until their analysis is completed, we will not be in a position to provide an official estimate of United States trade on this basis. As soon as we have concluded our review and analysis of the entire matter, we will be pleased to discuss our findings with you.

The CHAIRMAN. We have an unfavorable balance of tourist trade.

Mr. TROWBRIDGE. That is correct.

The CHAIRMAN. I assume by the time you take the tourists into account, that favorable balance is wiped out, that balance of trade?

Mr. TROWBRIDGE. Our total tourist imbalance, worldwide, in 1965 was measured at $1.7 billion which includes a balance on passenger fares as well as overseas expenditures. This also includes, of course, a vast amount of American citizens traveling to Canada and Mexico and to other parts of the world. I think we could, through the U.S. Travel Service, provide you with a breakdown of the estimated travel balance with Europe as such, if you would like it for Western Europe.

(The information referred to follows:)

U.S. travel expenditure and receipts with Western Europe, 1964 and 1965

[In millions of dollars]

	1964	1965
U.S. expenditures:		
Total	743	795
United Kingdom	130	142
France	127	125
Italy	148	152
Germany	79	79
Switzerland	56	53
Spain	47	51
Other countries	156	193
U.S. receipts:		
Total	157	178
United Kingdom	55	62
Other countries [1]	102	116

[1] Country details are not available for foreign expenditures in the United States.

The CHAIRMAN. Then when you include the cost to maintain troops in Europe, you are going to come up with a figure that puts us very definitely on the unfavorable side of the balance of payments with Europe. So I think you ought to provide for us what our balance of payments is so we can put that right behind this paragraph so we can see where we really stand with Europe on that and see the picture.

Mr. TROWBRIDGE. I will be very happy to make that estimate.

(The information referred to follows:)

U.S. balance of payments with Western Europe, 1964–65

[In millions of dollars]

	1964		1965	
	United Kingdom	Other Western Europe	United Kingdom	Other Western Europe
Exports of goods and services	2,544	9,700	2,636	10,233
Merchandise	1,606	6,981	1,620	7,282
Transportation	230	826	243	906
Travel	55	102	62	116
Military transactions	43	560	56	475
Other services	249	528	291	588
Income on investments	361	703	358	866
Imports of goods and services	2,119	7,797	2,513	8,719
Merchandise	1,135	4,057	1,410	4,778
Transportation	341	1,007	410	1,104
Travel	130	613	142	653
Military expenditures	173	1,311	153	1,303
Other	340	809	398	881
Balance on goods and services	425	1,903	123	1,514
Remittances and pensions	−41	−270	−47	−364
U.S. Government grants and capital net	13	−310	26	−43
U.S. private capital	−411	−1,874	−255	−957
Direct investments	−206	−1,162	−324	−1,108
New issues sold in the United States	−9	−26	−80	−15
Other long-term [1]	−26	−439	37	253
Short-term	−170	−247	112	−87
Western Europe investments in the United States [2]	89	76	−525	395
Direct investments	−36	24	−52	38
Other	125	52	−473	357
Total transactions with the United States (U.S. payments (−))	75	−475	−678	545
Total reported increase in European gold reserves and liquid dollar holdings	−91	2,540	702	474
Errors and omissions and receipts from (−) or payments to (+) other countries	+16	−2,065	24	−1,019

[1] Mainly bank loans.
[2] Other than holdings of liquid dollar assets.

Source: U.S. Department of Commerce, Office of Business Economics.

Senator BENNETT. May I interrupt at this point while the Secretary is still talking to us?

The CHAIRMAN. Certainly.

Senator BENNETT. You report that the total favorable trade balance in 1965 was 4.8 billion. My impression is that it is estimated to be much less than that for 1966. Do you have an estimate of the trade balance for 1966?

Mr. TROWBRIDGE. We have, of course, the results of our first 4 months of imports and exports on an annual basis. This, of course, can change during the year. If you project out the first 4 months, the favorable rate would appear to be in the neighborhood of 4.1 billion for 1966.

The CHAIRMAN. Could you give us a guess on the point that that would be reduced by insurance and freight?

Mr. TROWBRIDGE. I would have to estimate that, but I could try to provide it later on.

The CHAIRMAN. Well, frankly, we have had some inquiries on that point that we are going to have to—if you cannot come up with a very good educated guess on that subject, we are going to have to get it ourselves. We can get it with your help, I am sure. But it might just save you and this committee a lot of trouble if you people could come up with a very good educated guess on that subject.

(See departmental reply on p. 19.)

Mr. TROWBRIDGE. We try to do that almost every day, Mr. Chairman. It is an elusive subject, I might say.

The CHAIRMAN. Go ahead.

Mr. TROWBRIDGE. Furthermore, steel export shipments are heavily supported by AID financing. We must recognize, however, that the deficit in our foreign trade in steel mill products is partly offset by our favorable balance of trade in machinery and other U.S. products manufactured from steel mill products.

In 1959, the first year of our negative trade balance in steel, our net imports were 2.7 million tons or $154 million. Since 1961 the deficit in this trade has been growing and reached a record 7.9 million tons or $669 million in 1965. For 1966 the indicated deficit based on the first 4 months statistics is 6.2 million tons or $505 million.

Increased imports of steel mill products and the decline in exports of such products reflect a shift in trade in this sector that is to some extent an outgrowth of economic recovery and development in other countries. For example, the steel industries in Europe and Japan in the postwar period have adopted the latest techniques in steel production and are increasing their productive capacity at rates which are estimated to be nearly twice that of the United States. The domestic steel industry itself, however, has been engaged in a major program of plant modernization for over a decade. In addition, through market research and development it is attempting to broaden its competitive base both in traditional steel markets and in other markets in which it competes with other materials.

Expansion of steel capacity is continuing throughout the world, and an imbalance between capacity and demand will continue in the foreseeable future. The imbalance in the European Coal and Steel Community rose in 1965 as capacity increased, while the rate of operations of the steel industry dropped to 85.5 percent from 90.5 percent in 1954. For the first 4 months of 1966 steel ingot output in the ECSC dropped slightly by 0.7 percent from the same period of 1965, while capacity rose again by 4.6 percent.

Japanese excess capacity is also growing. Steel capacity in Japan has risen sharply from 10.4 million tons in 1955 to about 48 million tons. To prevent disruption of their markets, there has been a voluntary cutback in production of steel ingots by the six largest Japanese steel producers. This cutback, initiated by the Japanese Government, was 10 percent beginning in the second quarter of 1965, but the production target has reportedly been increased 5 percent for the second quarter 1966 due to the improved outlook for steel consumption in Japan. Japan has also announced a 1966—April 1966 to March 1967—export target of 10,050,000 metric tons of iron and steel products, down from the 1965 actual export figure of 10,102,415 tons which was about one-quarter of Japan's total production. Approximately 43 percent of Japan's 1965 steel exports were to the United States.

The basic question regarding trade in steel is the extent to which foreign producers will be able to maintain or increase their penetration of steel markets in the United States. This will depend on the policies and actions adopted not only by foreign producers but also by our own steel industry. Such factors as wage rates, technology, plant expansion, and product development will be of particular importance as will the level of domestic demand. The hard core of the facts needed to judge this situation—those on foreign and domestic product costs and pricing—are not now available and probably are difficult to obtain. Without at least some data of this kind, however, a study will be inconclusive.

The imbalance in the U.S. trade in steel mill products must be viewed in the context of all relevant economic factors which influence the overall balance of trade. In our consideration of trade in steel mill products, we must take into account both indirect and direct exports generated by the domestic steel industry, as well as the impact of imports. But even the balance of trade for one industry does not adequately reflect all of the economic factors which operate in connection with commercial transactions that contribute to the final determination of the overall U.S. balance-of-payments positions. Therefore, the question involves not only the competitive position of the U.S. steel industry but also the ability of other domestic industries to meet foreign competition at home and abroad.

As my comments have suggested, we feel that point 3 of the resolution, restricted in scope to steel imports, calls for a study which would be of limited value.

With respect to point 4 of the resolution "the effect of efforts of the Government to restrict the outflow of private capital upon the demand for steel products in foreign countries affected thereby," Secretary Connor has stated that the voluntary program of restraint on foreign investment is not intended to impair the position of U.S. firms in foreign markets, but is designed to encourage U.S. firms to return funds held abroad that are surplus to operating needs and to hold back on marginal investment abroad. The program also contemplates additional efforts by U.S. manufacturers to expand exports and to finance new investment abroad through borrowings in foreign capital markets.

In general, the voluntary program has been an important part of the very good balance of payments performance made by the Nation as a whole in 1965. The overall deficit of $2.8 billion in 1964 was cut back to $1.3 billion last year. In the first quarter of this year the seasonally adjusted deficit was $580 million.

Senator BENNETT. May I interrupt the witness?

The CHAIRMAN. Surely.

Senator BENNETT. You talk about deficits on a yearly basis and then you say the seasonally adjusted deficit for the first quarter was $580 million.

Mr. TROWBRIDGE. Yes, sir.

Senator BENNETT. What is your estimate of the deficit for the full year?

Mr. TROWBRIDGE. Well, if you employ the factors often used, the annual rate, you would normally multiply the first quarter adjusted figure by four to get the estimated annual rate. As Secretary Fowler and others have discussed this several weeks ago in the press conference, they said that the annual rates, of course, are very sticky in what you are predicting and what you say will come out on the basis of an annual rate projection. Certainly with the several unknowns engendered by the Vietnam situation, this is particularly difficult. But if you do take an annual rate projection, this will put the 1966 projected deficit at about $2.2 billion, I suppose, if you multiply $580 million by 4.

Senator BENNETT. 580 by 4 is 2.3 plus.

Mr. TROWBRIDGE. Yes, sir.

Senator BENNETT. The Vietnam situation, if that changes it, would change it upward rather than downward?

Mr. TROWBRIDGE. That is possible, Senator. I believe that Secretary Fowler pointed out some of the measures that were influential in the first quarter, such as the delay of a transaction from Canada from the fourth quarter of 1965 to the first quarter of 1966 which had an impact on our balance of payments of about $150 million, and secondly, the operation of the military offset agreements in Europe as being somewhat special factors in the first quarter.

Senator BENNETT. I think we can say without trying to pin ourselves down to figures that the deficit in 1966 will be higher than the deficit in 1965.

Mr. TROWBRIDGE. On the basis of the figures we have as of now, I think this is a reasonable projection; yes, sir.

Senator BENNETT. Thank you, Mr. Chairman.

Mr. TROWBRIDGE. To the best of our knowledge, the voluntary balance-of-payments program has not significantly affected the operations of U.S. steel producing firms in the developed countries of the free world.

For the above reasons we feel that a study called for under Senate Resolution 149 may be of doubtful value. In our view, a more useful study, which would explain why steel imports have taken an increased share of the domestic market, would necessarily include the steel industries of the United States, the United Kingdom, the countries of the EEC, and Japan. Country and regional product line costs, operating margins, selling prices, wage rates, productivity, unit labor costs, employment, investment, capital costs, capacity-profit relationships, flow of funds, new technology, raw materials costs, demand, and the influences of these factors upon growth trends of steel production, imports, exports, and profits would also be vital to such a study. Also important would be a consideration of such factors as foreign Government ownership or control of their domestic steel industries, and tariff and nontariff barriers affecting steel products.

Thus, while we question the value of the study proposed in the resolution, if the Senate determines that a study of the overall effects of steel imports and the competitive situation of the industry with respect to such imports is desirable, we will be glad to join with other interested agencies in conducting such a study.

Mr. Chairman, we have attached to the statement, and with your permission would make it a part of the record, a series of tables which deal statistically with the iron and steel industry.

That is my statement, Mr. Chairman.

(The tables referred to follow:)

Statistical Tables in Iron and Steel Industry

Table 1.—*Exports and imports of steel mill products, 1955–66*

Year	Millions of dollars			Thousands of tons			Imports as percent of U.S. market [1]	Exports as percent of industry shipments
	Exports	Imports	Trade balance	Exports	Imports	Trade balance		
1955	633	107	526	4,061	973	3,088	1.2	4.8
1956	759	174	585	4,348	1,341	3,007	1.7	5.2
1957	997	171	825	5,348	1,155	4,193	1.5	6.7
1958	564	192	372	2,823	1,707	1,116	2.9	4.7
1959	363	516	−154	1,677	4,396	−2,719	6.1	2.4
1960	601	449	152	2,977	3,359	−382	4.7	4.2
1961	423	382	41	1,990	3,163	−1,173	4.7	3.0
1962	424	484	−60	2,013	4,100	−2,087	5.6	2.9
1963	465	633	−168	2,180	5,452	−3,272	6.9	2.9
1964	622	749	−127	3,435	6,440	−3,005	7.3	4.0
1965	508	1,177	−669	2,496	10,383	−7,887	10.3	2.7
1966 (4 months)	145	314	−169	634	2,696	−2,062	[2] 8.5	[2] 2.2

[1] Based on data in tons. U.S. market is industry shipments, plus imports, minus exports.
[2] Based on 1st-quarter data.

Note.—Export value is value at U.S. port. Import value is value at foreign port and excludes freight, insurance, and duty. The data in millions of dollars have been matched with the data in thousands of tons, which are as published by the American Iron & Steel Institute and may differ slightly from data subsequently revised by the Department of Commerce, Bureau of the Census.

Source: Department of Commerce.

TABLE 2.—*Production of ingots and shipments of finished steel products, 1947–66*

[Millions of net tons]

Year	Production	Shipments
1947	84.9	63.1
1948	88.6	66.0
1949	78.0	58.1
1950	96.8	72.2
1951	105.2	78.9
1952	93.2	68.0
1953	111.6	80.2
1954	88.3	63.2
1955	117.0	84.7
1956	115.2	83.3
1957	112.7	79.9
1958	85.2	59.9
1959	93.4	69.4
1960	99.3	71.1
1961	98.0	66.1
1962	98.3	70.6
1963	109.3	75.6
1964	127.1	84.9
1965	131.2	92.7
1966 (3 months)	32.9	21.6
1966 (4 months)	44.5	(1)

1 Not available.

Source: American Iron & Steel Institute.

TABLE 3.—*Ingot steel and castings production—Selected producing countries*

[Million net tons]

	1961	1962	1963	1964	1965
United States	98.0	98.3	109.3	127.1	131.2
Canada	6.5	7.2	8.2	9.1	9.9
ECSC	80.7	80.5	80.7	91.3	94.7
Belgium-Luxembourg	12.3	12.5	12.7	14.6	15.2
France	19.4	19.0	19.4	21.8	21.6
West Germany	36.9	35.9	34.8	41.2	40.6
Italy	10.1	10.8	11.2	10.8	13.9
Netherlands	2.2	2.3	2.6	2.9	3.4
United Kingdom	24.7	23.0	25.2	29.4	30.2
Austria	3.4	3.3	3.3	3.5	3.6
U.S.S.R	78.0	84.1	88.4	93.9	100.0
Japan	31.2	30.4	34.7	43.9	45.4
Australia	4.3	4.7	5.1	5.6	6.1
South Africa	2.7	3.1	3.1	3.4	3.6
World	390.1	394.1	422.2	477.2	500.0

Source: American Iron & Steel Institute.

TABLE 4.—*U.S. imports of steel mill products by category, 1957–65*

[Thousands of net tons]

Steel mill products	1957		1958		1959		1960		1961		1962		1963		1964		1965	
	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total
Semifinished products	62	5.4	199	11.7	540	12.4	477	14.2	631	19.9	819	20.0	1,066	19.6	1,298	20.2	1,566	15.1
Shapes and plates	291	25.2	171	10.0	798	18.3	529	15.8	330	10.4	525	12.8	833	15.3	1,110	17.2	1,703	16.4
Rails and accessories	5	.5	5	.2	10	.2	10	.3	23	.7	12	.3	12	.2	14	.2	24	.2
Bars and tool steel	263	22.7	649	38.0	1,339	30.6	840	25.0	906	28.7	995	24.3	1,081	19.8	1,174	18.2	1,641	15.8
Pipe and tubing	191	16.5	200	11.7	533	12.2	480	14.3	521	16.5	665	16.0	778	14.3	790	12.3	930	9.0
Wire and wire products	301	26.1	432	25.3	703	16.1	547	16.3	562	17.8	665	16.0	755	13.9	809	12.6	866	8.3
Tin mill products	--------	0	------	0	67	1.5	39	1.2	19	.6	56	1.4	94	1.7	88	1.4	145	1.4
Sheet and strip	41	3.6	50	2.9	386	8.8	436	13.0	171	5.4	383	9.4	827	15.2	1,167	18.1	3,507	33.8
Total	1,154	100.0	1,707	100.0	4,396	100.0	3,358	100.0	3,163	100.0	4,100	100.0	5,446	100.0	6,450	100.0	10,382	100.0

Source: American Iron & Steel Institute.

TABLE 5.—*Imports of steel mill products as percent of domestic markets, 1957–65*

[Percent [1]]

Steel mill product	1957	1958	1959	1960	1961	1962	1963	1964	1965
Semifinished products	1.9	7.9	16.0	15.1	21.1	24.8	27.4	28.2	29.0
Shapes and plates	1.8	1.8	7.4	4.6	3.1	4.7	6.4	7.2	9.5
Rails and accessories	.2	.6	.9	.9	3.1	1.3	1.2	1.0	1.6
Bars and tool steel	2.3	7.0	11.3	7.4	8.3	8.4	8.5	8.3	10.3
Pipe and tubing	1.9	3.2	6.4	6.5	7.1	8.7	10.3	9.1	9.9
Wire and wire products	8.3	12.5	17.4	15.7	15.7	17.6	19.9	21.0	20.1
Tin mill products			1.2	.7	.3	1.0	1.7	1.5	2.2
Sheets and strip	.2	.2	1.4	1.6	.7	1.4	2.6	3.4	8.9
Total	1.5	2.9	6.1	4.7	4.7	5.6	6.9	7.3	10.3

[1] Based on data in tons.

Source: Department of Commerce.

TABLE 6.—*Imports of steel mill products, 1957, 1964, and 1965*

[Thousands of dollars]

Steel mill product	1957	1964	1965
Semifinished products	7,870	124,083	158,703
Shapes and plates	36,924	102,644	163,740
Rails and accessories	514	1,554	2,729
Bars and tool steel	29,830	111,093	157,158
Pipe and tubing	36,299	114,906	132,985
Wire and wire products	47,584	128,488	149,078
Tin mill products	28	14,290	22,687
Sheets and strip	12,216	150,862	389,622
Total	171,283	748,820	1,176,702

Source: U.S. Department of Commerce.

TABLE 7.—*Percentage distribution of steel imports by country of origin, 1957–65*

[Percent [1]]

Country	1957	1958	1959	1960	1961	1962	1963	1964	1965
Total imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
European Coal and Steel Community (ECSC)	77.1	70.5	65.9	62.4	61.7	50.9	41.2	40.1	40.4
Belgium-Luxembourg	41.5	45.7	32.7	29.6	33.2	30.4	23.5	21.5	16.9
France	15.5	9.4	13.3	10.3	10.1	7.3	6.6	6.8	8.3
West Germany	16.4	11.8	16.5	17.6	15.8	11.2	9.9	10.5	11.3
Other ECSC [2]	3.7	3.6	3.4	4.9	2.5	2.0	1.2	1.3	3.9
United Kingdom	5.0	5.0	4.9	6.3	5.2	6.1	6.4	4.4	6.9
Japan	2.7	14.7	14.2	17.9	18.9	26.1	33.2	38.0	42.6
Canada	4.5	2.7	8.6	6.3	9.6	9.0	10.7	10.7	6.2
All other countries	10.7	7.1	6.4	7.1	4.6	7.9	8.5	6.8	3.9

[1] Based on tons of imports published by the American Iron & Steel Institute.
[2] Italy and Netherlands.

Source: Department of Commerce.

64-887 O—66——3

TABLE 8.—*U.S. exports of steel mill products by category, 1957–65*

[Net tons in thousands]

Steel mill products	1957		1958		1959		1960		1961		1962		1963		1964		1965	
	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total	Net tons	Percent of total
Semifinished products	721	13.5	124	4.4	35	2.1	129	4.3	185	9.3	281	14.0	331	15.2	920	28.0	696	27.9
Shapes and plates	1,075	20.1	554	19.6	306	18.2	386	13.0	320	16.1	279	13.8	301	13.8	426	13.0	361	14.5
Rails and accessories	235	4.4	165	5.8	82	4.9	134	4.5	109	5.5	117	5.8	81	3.7	58	1.8	53	2.1
Bars and tool steel	2.5	4.0	123	4.4	68	4.0	85	2.8	91	4.6	103	5.1	118	5.4	175	5.3	170	6.8
Pipe and tubing	1,185	22.2	623	22.1	266	15.9	195	6.6	211	10.6	192	9.5	252	11.6	286	8.7	240	9.6
Wire and wire products	39	0.7	35	1.2	26	1.5	29	1.0	26	1.3	47	2.3	76	3.5	54	1.6	45	1.8
Tin mill products	802	15.0	495	17.5	460	27.4	686	23.0	481	24.2	394	19.6	413	19.0	411	12.5	306	12.3
Sheet and strip	1,075	20.1	703	24.9	435	26.0	1,333	44.8	566	28.5	600	29.8	608	27.9	950	29.0	625	25.0
Total	5,347	100.0	2,822	100.0	1,678	100.0	2,977	100.0	1,989	100.0	2,013	100.0	2,180	100.0	3,280	100.0	2,496	100.0

Source: American Iron & Steel Institute.

TABLE 9.—*Exports of steel mill products, 1957, 1964, and 1965*

[Thousands of dollars]

Steel mill product	1957	1964	1965
Semifinished products	80,808	74,385	55,014
Shapes and plates	157,622	74,172	63,296
Rails and accessories	33,326	10,289	10,886
Bars and tool steel	37,323	37,238	40,895
Pipe and tubing	307,492	108,295	92,327
Wire and wire products	13,949	25,162	22,747
Tin mill products	145,962	59,964	42,255
Sheets and strip	220,218	232,262	180,846
Total	996,700	621,767	508,266

Source: U.S. Department of Commerce.

TABLE 10.—*Distribution of steel exports by country*

Destination	1957	1958	1959	1960	1961	1962	1963	1964	1965
	Thousand net tons								
Canada	1,619	1,010	611	580	406	317	358	714	592
Total Latin America	1,446	765	431	641	424	329	333	431	578
Argentina	100	68	52	113	75	36	25	133	264
Total Europe	890	446	213	1,009	313	265	277	865	401
Total ECSC	293	227	121	363	192	136	137	261	89
United Kingdom	341	106	30	360	14	12	18	234	22
Total Asia	981	350	203	549	749	999	1,164	1,318	806
India	59	25	7	151	131	241	302	230	181
Pakistan	------	------	14	16	197	418	513	836	395
All other	241	116	50	200	98	102	91	107	119
Grand total	5,177	2,687	1,508	2,979	1,990	2,012	2,223	3,435	2,496
	Percentage distribution of steel exports by country								
Canada	31.3	37.6	40.5	19.4	20.4	15.8	16.1	20.8	23.7
Total Latin America	27.9	28.5	28.6	21.5	21.3	16.3	15.0	12.5	23.2
Argentina	1.9	2.5	3.5	3.8	3.7	1.8	1.2	3.9	10.6
Total Europe	17.2	16.6	14.1	33.9	15.7	13.2	12.5	25.2	16.1
Total ECSC	5.7	8.4	8.1	12.2	9.7	6.8	6.2	7.6	3.6
United Kingdom	6.6	4.0	2.0	12.1	.7	.6	.8	6.8	.9
Total Asia	18.9	13.0	13.4	18.4	37.6	49.6	52.3	38.4	32.3
India	1.1	.9	.5	5.1	6.6	11.9	13.6	6.7	7.3
Pakistan	0	0	.9	.6	9.9	20.8	23.1	24.3	15.8
All other	4.7	4.3	3.2	6.7	4.9	5.1	4.1	3.1	4.8

Source: American Iron & Steel Institute.

TABLE 11.—*AID financed exports of steel mill products, 1957–65*

[Millions of dollars]

Year	Total exports	AID-financed exports	Percent AID financed
1957	997	33	3.3
1958	564	20	3.5
1959	363	13	3.5
1960	601	16	2.6
1961	423	44	10.4
1962	424	122	28.7
1963	465	179	38.4
1964	622	197	31.6
1965	508	215	42.3

Sources: Bureau of Census and Agency for International Development.

TABLE 12.—*Wholesale prices of steel mill products and selected related manufacturing commodity groups, 1958–66*

Year	Steel mill products	Intermediate materials for durable manufacturing	Durable finished goods [1]
	1957–59=100		
Index:			
1958	100.6	99.5	100.1
1959	102.2	101.8	101.8
1960	102.1	101.9	101.7
1961	101.7	100.5	101.7
1962	101.4	100.4	101.8
1963	102.0	100.5	101.7
1964	102.8	102.5	102.4
1965	103.3	104.6	103.1
1966:			
January	104.1	105.5	103.6
February	104.2	105.0	103.0
March	104.3	106.1	104.0
April (July)	104.3	106.6	104.2
Average annual percentage change: 1958–65	.4	.7	.4

[1] Includes consumer durable goods and producer finished goods.

Source: Department of Labor.

TABLE 13.—*Average annual percentage changes in prices, 1947–65*

[Percent]

Period	GNP deflator	Consumer Price Index	Wholesale Price Index [1]			
			All commodities	Durable manufactures	Nondurable manufactures	Steel mill products
1947–51	3.5	3.9	4.5	6.5	3.4	8.9
1951–55	1.5	.8	−.9	1.9	−1.9	4.8
1955–58	3.2	2.6	2.5	3.9	1.5	7.1
1958–65	1.5	1.3	.3	.5	.2	.4

[1] The total includes some groups not included in this table. Steel mill products are included in the durable manufactures group.

Sources: Department of Commerce and Department of Labor.

TABLE 14.—*Price changes in steel and competitive materials, 1947–65*

Material	Percentage change in Wholesale Price Index, 1947–65	Price in 1965 relative to steel (percent) [1]
Steel mill products	114.3	100.0
Cement	66.2	77.6
Glass, flat	43.9	67.1
Plastic materials	−6.3	43.7
Aluminum ingots	76.4	82.3

[1] Based on 1965 prices on a 1947 base.

Source: Department of Labor.

TABLE 15.—*Wholesale price of basic steelmaking materials and unit cost of steel materials, 1957–66*

(1957-59=100)

Period	Wholesale Price Index of basic steelmaking materials [1]	Index of unit cost of steel materials
1957	103.4	106.3
1958	97.8	97.2
1959	98.9	96.5
1960	96.5	99.4
1961	97.4	100.6
1962	93.2	97.1
1963	91.3	95.5
1964	93.6	[2] 97.5
1965	94.9	98.7
1966:		
January	94.5	(3)
February	94.7	(3)
March	94.6	(3)
April (prel)	93.7	97.5

[1] Revision of data in "Hearings on Steel Prices, Unit Costs, Profits, and Foreign Competition Before the Joint Economic Committee," Apr. 23–29, and May 2, 1963, pp. 256–257. 1954 weights, 1955–56; 1961 weights, 1956–62; 1963 weights, 1963 to date. Index on a 1947–49 base shifted to a 1957–59 base.
[2] Estimated by BDSA.
[3] Not available.

Sources: Department of Labor and Department of Commerce.

TABLE 16.—*Steel prices, United States and selected foreign countries, 1951–65*

[1952=100 [1]]

Year	United States [2]	Belgium [3]	France [4]	Germany [5]	Japan [6]	United Kingdom [7]
1951	97.9	95.5	81.4	72.7		74.6
1952	100.0	100.0	100.0	100.0	100.0	100.0
1953	107.9	100.9	103.7	104.2	90.9	99.6
1954	112.8	98.0	102.0	100.5	82.5	77.4
1955	118.2	114.2	102.3	101.8	99.3	86.1
1956	128.0	125.9	110.9	104.4	132.2	109.5
1957	140.3	133.2	98.6	109.4	133.6	121.9
1958	145.2	123.5	93.0	113.8	81.1	101.1
1959	147.6	121.8	104.6	113.8	83.2	88.9
1960	147.4	126.6	111.1	113.8	86.7	88.0
1961	146.8	126.8	113.5	118.3	83.9	87.8
1962	146.4	124.3	119.0	119.5	80.4	87.8
1963	147.2	123.1	122.3	119.5	79.0	87.8
1964	148.3	123.1	122.3	119.5	79.0	90.5
1965	149.1	123.1	122.3	116.9	74.1	91.1

[1] Based on price indexes converted to U.S. dollars. Reflects French devaluation of 1958 and German revaluation of 1961.
[2] Steelmill products.
[3] Bessemer billets, domestic/export price, f.o.b. border.
[4] Heavy sections, domestic/export price, I.P.N. (80–260 mm).
[5] Bessemer bars, domestic/export price.
[6] Mild steel plates, ⅛ inch by 4 feet by 8 feet, export price, f.o.b.
[7] Plates 3/16 inch and over, export price, f.o.b.

Sources: Department of Labor and United Nations.

TABLE 17.—*Costs, taxes, and profits as a percent of the total revenue, steel industry, 1947–65*

[Percent]

Period	Operating cost			Fixed cost			Tax			Profits after tax	Cash flow [1]
	Total	Employment cost	Material cost	Total	Depreciation and depletion	Interest	Total	Federal	State and local		
1947	84.4	36.7	47.7	3.8	3.5	0.3	5.6	4.2	1.4	6.1	9.6
1948	83.3	34.9	48.4	3.9	3.7	.2	6.1	4.8	1.3	6.7	10.4
1949	82.3	35.0	47.3	4.0	3.7	.3	6.6	5.1	1.5	7.1	10.8
1950	78.8	33.1	45.7	3.7	3.4	.3	9.5	8.1	1.4	8.0	11.4
1951	78.6	32.3	46.3	3.4	3.2	.2	12.2	10.8	1.4	5.8	9.0
1952	84.6	34.9	49.7	4.5	4.1	.4	5.8	4.4	1.4	5.0	9.1
1953	80.3	34.0	46.3	5.1	4.7	.4	9.1	7.6	1.5	5.6	10.3
1954	79.9	36.7	43.2	6.8	6.3	.5	7.2	5.6	1.6	6.0	12.3
1955	77.1	33.5	43.6	5.6	5.2	.4	9.4	7.9	1.5	7.8	13.0
1956	79.1	33.3	45.8	5.3	4.9	.4	8.3	6.8	1.5	7.3	12.2
1957	78.6	35.4	43.2	5.3	4.9	.4	8.7	6.9	1.8	7.3	12.2
1958	80.0	38.2	41.8	6.0	5.4	.6	7.8	5.9	1.9	6.3	11.7
1959	81.3	36.1	45.2	5.4	4.7	.7	7.5	5.7	1.8	5.8	10.5
1960	81.2	38.9	42.3	5.6	4.9	.7	7.5	5.4	2.1	5.7	10.6
1961	81.9	40.3	41.6	6.5	5.6	.9	6.5	4.5	2.0	5.2	10.8
1962	83.0	39.2	43.8	7.5	6.6	.9	5.3	3.4	1.9	4.0	10.6
1963	80.7	38.4	42.3	7.7	6.8	.9	6.3	4.4	1.9	5.4	12.2
1964	80.5	37.5	43.0	7.3	6.5	.8	6.2	4.3	1.9	6.1	12.6
1965	81.2	36.3	44.9	6.9	6.1	.8	5.9	4.1	1.8	5.9	12.0

[1] Profits after tax plus depreciation and depletion.

Source: American Iron & Steel Institute.

TABLE 18.—*Profits, depreciation, and cash flow, steel industry, 1947–65*

[Dollar amounts in millions]

Year	Profits after tax	Depreciation and depletion	Cash flow [1]	Percent of equity		Percent of sales	
				Profits after tax	Cash flow	Profits after tax	Cash flow
1947	$412	$239	$651	10.5	16.6	6.1	9.7
1948	541	302	843	11.8	18.4	6.7	10.4
1949	529	278	807	10.8	16.5	7.1	10.9
1950	767	327	1,094	14.0	20.0	8.0	11.5
1951	682	374	1,056	11.3	17.5	5.8	8.9
1952	541	450	991	8.5	15.6	5.0	9.1
1953	735	614	1,349	10.8	19.9	5.6	10.3
1954	637	670	1,307	8.9	18.3	6.0	12.3
1955	1,099	737	1,836	13.9	23.2	7.8	13.1
1956	1,113	748	1,861	12.9	21.5	7.3	12.2
1957	1,132	766	1,899	12.0	20.0	7.3	12.2
1958	788	673	1,461	8.0	14.8	6.3	11.6
1959	831	665	1,496	8.1	14.6	5.8	10.5
1960	811	698	1,509	7.7	14.3	5.7	10.6
1961	690	739	1,429	6.5	13.4	5.2	10.7
1962	566	929	1,495	5.3	14.0	4.0	10.7
1963	782	996	1,778	7.1	16.1	5.4	12.2
1964	992	1,061	2,053	8.7	18.0	6.1	12.7
1965	1,066	1,100	2,166	8.9	18.0	5.9	12.0

[1] Profits after tax plus depreciation and depletion.

Source: American Iron & Steel Institute.

TABLE 19.—*Sources of steel cash flow from direct Government policy, 1962–64*

Source	1962		1963		1964	
	Millions of dollars	Percent of total cash flow	Millions of dollars	Percent of total cash flow	Millions of dollars	Percent of total cash flow
Total direct Government policy	142	9.5	190	10.7	250	12.2
Revised depreciation guidelines	105	7.0	133	7.5	145	7.1
Investment tax credit	[1] 37	2.5	[1] 57	3.2	77	3.8
Corporate tax reduction					28	1.4

[1] Excludes $26 million in 1962 and $32 million in 1963 of deferred credits which the 1964 Revenue Act make available on 1962–63 investment through increased depreciation in subsequent years.

Source: Council of Economic Advisers.

TABLE 20.—*Sources and uses of funds, primary iron and steel industry, 1948–65*

[In millions of dollars]

Year	Sources of funds			Uses of funds					
		Debt		Current assets					Investment in plant and equipment
	Internal funds [1]	Long term	Short term	Cash	U.S. Government securities	Receivables	Inventories	Other current assets	
Total, 1948–64	20,699	2,508	1,027	503	556	1,545	2,638	368	19,480
1948	894	16	97	29	−276	151	281	1	770
1949	694	24	−147	54	319	−207	−122	0	600
1950	985	77	229	139	351	397	245	6	600
1951	1,036	365	216	63	497	41	246	15	1,200
1952	823	460	252	−55	−931	152	337	19	1,510
1953	1,227	−67	−119	−9	352	−180	150	−14	1,210
1954	1,104	183	−273	26	56	−25	−128	35	750
1955	1,636	51	236	118	919	444	183	−12	860
1956	1,610	44	260	−91	−407	183	528	223	1,270
1957	1,559	127	−184	75	−236	−285	265	−8	1,720
1958	1,082	366	−76	−25	−172	92	106	−71	1,190
1959	1,202	201	344	67	418	340	−66	163	1,040
1960	1,122	157	−293	−102	−565	−416	323	−17	1,600
1961	1,039	520	103	−39	−80	279	236	20	1,130
1962	1,215	−106	−145	14	105	−88	−302	80	1,100
1963	1,568	−151	167	18	281	214	−14	254	1,240
1964	1,903	241	360	221	−75	453	370	−326	1,690
1965	2,091	305	−61	679	−486	−84	231	254	1,930

[1] Internal funds are defined as profits after tax plus depreciation and depletion minus dividends.

Sources: Federal Trade Commission, Securities and Exchange Commission, and Department of Commerce.

TABLE 21.—*Interest and long-term debt of the steel industry, 1957–65*

[Dollar amounts in millions]

Year	Interest on long-term debt	Long-term debt	Average interest rate on debt	Interest as percent of revenues
			Percent	*Percent*
1957	$65	$1,802	3.6	0.4
1958	80	2,145	3.7	.6
1959	94	2,303	4.1	.6
1960	101	2,488	4.1	.7
1961	123	2,969	4.1	.9
1962	132	2,854	4.6	.9
1963	128	2,695	4.7	.9
1964	129	2,875	4.5	.8
1965	137	3,099	4.4	.8

Source: American Iron & Steel Institute.

Table 22.—*Long-term debt as percent of equity, primary iron and steel industry, 1947–65*

Year	Percent
1947	12.9
1948	11.7
1949	11.4
1950	11.4
1951	15.5
1952	20.0
1953	18.3
1954	19.2
1955	18.3
1956	17.1
1957	16.7
1958	19.1
1959	19.7
1960	20.9
1961	24.7
1962	23.7
1963	21.9
1964	22.9
1965	24.1

Sources: Federal Trade Commission and Securities and Exchange Commission.

Table 23.—*Employment and weekly hours of work in blast furnaces and basic steel products industries, 1947–66*

Year	All employees	Production workers	Average weekly hours [1]	
			Total	Overtime
	Thousands	*Thousands*		
1947	655.8	575.0	39.0	([2])
1948	678.6	593.9	39.5	([2])
1949 [3]	610.1	526.8	38.2	([2])
1950	674.4	586.8	39.9	([2])
1951	714.4	620.2	40.9	([2])
1952	638.0	541.5	40.0	([2])
1953	726.1	620.4	40.3	([2])
1954	645.5	546.1	37.8	([2])
1955	706.9	604.5	40.5	([2])
1956 [3]	706.6	595.4	40.5	([2])
1957	719.9	600.1	39.1	([2])
1958	601.1	486.5	37.5	0.9
1959 [3]	587.3	470.9	40.1	2.2
1960	651.4	528.4	38.2	1.3
1961	595.5	478.4	38.9	1.3
1962	592.8	476.3	39.2	1.4
1963	589.9	479.1	40.2	1.9
1964	629.4	515.8	41.2	2.4
1965	660.4	541.1	41.1	2.7
1966:				
January	618.9	501.3	40.3	1.8
February	626.8	509.6	40.6	2.3
March	638.3	520.8	40.8	2.5
April	645.2	526.5	40.9	([2])

[1] Hours paid; for production workers on nonsupervisory employees.
[2] Not available.
[3] Any year with a steel strike will have an unusually low level of employment since the annual figure are averages of the monthly figures.

Source: Department of Labor.

TABLE 24.—*Output per man-hour and employment cost per man-hour and per unit of output, all employees in the steel industry, 1957–65*

[1957–59=100]

Year	Output per man-hour	Employment cost per man-hour	Employment cost per unit of output
Indexes:			
1957	101.1	93.5	92.5
1958	93.5	100.5	107.6
1959	105.0	107.4	102.3
1960	98.6	108.7	110.3
1961	101.7	113.0	111.1
1962	106.9	117.1	109.5
1963	111.8	120.0	107.3
1964	116.5	123.5	106.0
1965	120.8	126.0	104.3
Average annual percentage change:			
1957–61 ....percent	0.1	4.8	4.7
1961–65 ....do	4.4	2.8	−1.6
1957–65 ....do	2.2	3.8	1.5

Source: Department of Labor.

TABLE 25.—*Total employment cost and employment cost per man-hour worked for wage employees in the iron and steel industry, 1957–65*

Year	Total employment cost per hour	Average hourly earnings [1]
1957	$3.22	$2.73
1958	3.51	2.93
1959	3.80	3.14
1960	3.82	3.09
1961	3.99	3.24
1962	4.16	3.33
1963	4.25	3.39
1964	4.36	3.43
1965	4.48	3.54

[1] Includes premium pay but excludes other fringe benefits.

NOTE.—The figures in this table differ slightly from Department of Labor, Bureau of Labor Statistics data since they are based on a different sample of the industry and are for hours worked while BLS data refer to hours paid.

Source: American Iron & Steel Institute.

TABLE 26.—*Productivity and operating rate, steel industry, 1957–65*

Year	Output index [1]	All employees man-hours index	Output per man-hour, all employees: Index	Output per man-hour, all employees: Annual percentage change	Operating rate [2] (percent)
	1957–59=100				
1957	114.8	113.6	101.1	....	84.5
1958	85.8	91.8	93.5	−7.5	60.6
1959	99.3	94.6	105.0	12.3	63.3
1960	99.5	100.9	98.6	−6.1	66.8
1961	95.2	93.6	101.7	3.1	[3] 64.7
1962	100.2	93.7	106.9	5.1	[3] 63.6
1963	106.3	95.1	111.8	4.6	[3] 69.3
1964	120.7	103.6	116.5	4.2	[3] 78.9
1965	131.2	108.6	120.8	3.7	[3] 79.9

[1] Based on physical output of pig iron, ferroalloys, ingots and steel for castings and coke, and shipments of semifinished and finished steel products.
[2] Production of ingots and steel for casting as percent of capacity.
[3] Estimate based on a 2-percent per year increase in capacity.

Sources: Department of Labor, American Iron & Steel Institute, and Council of Economic Advisers.

TABLE 27.—*Industrial production, 1947 and 1965*

Industry group	1947	1965	Average annual percentage change
	1957-59=100		
Industrial production index: Total [1]	65.7	143.3	4.4
Iron and steel	93.9	133.6	2.0
Glass and pottery products	74.7	133.5	3.3
Cement	63.4	120.0	3.6
Aluminum	32.6	161.6	9.3
Plastic materials	18.2	297.7	16.8

[1] Includes some industry groups not shown.

Source: Board of Governors of the Federal Reserve System.

The CHAIRMAN. Mr. Secretary, in order to put this question of steel imports into perspective, I understand that some 40 percent of our 1965 imports of steel were subject to a specific duty and another 20 percent were subject to compound duty. You talk about specific duty. Is it not a fact that the incidence of protection provided by that duty declines as prices, foreign prices on which the ad valorem equivalent is based, rise?

In other words, does not the increase in price reduce the impact of an ad valorem tariff?

Mr. TROWBRIDGE. I would think so; yes, sir.

The CHAIRMAN. Now, I understand that the tariff classification for angles, shapes, and sections has not changed since 1930. These items would demonstrate the point I am making.

In 1930, the tariff of 0.2 cent per pound produced an ad valorem equivalent ranging between 19 and 22 percent on the product. Based on 1965 imports, the same duty of 0.2 cent per pound, specific duty, would product an ad valorem equivalent of only 4.4 percent. Therefore, it would be true that the incidence of protection provided by this tariff has been reduced by 80 percent without any change in the tariff itself.

Now, would that not be correct?

Mr. TROWBRIDGE. Accepting your figures, I am sure it is.

The CHAIRMAN. Now, an increase of price in the tariff has the effect of reducing the impact of the tariff.

Is it not also true that the price rise referred to here is the price of the foreign steel, since that is the basis on which the ad valorem equivalent is computed, the foreign price?

Mr. TROWBRIDGE. Yes, sir.

The CHAIRMAN. Is it not also true that if specific duties had been reduced through trade negotiations, the instance of protection is even more sharply reduced?

Mr. TROWBRIDGE. Well, I believe, if I am not mistaken, our average weighted U.S. tariff on steel imports today is in the neighborhood of 6 percent. Of course, there are some higher, some lower. This is less than, in terms of percentage, equivalent tariff impact in Europe, the United Kingdom, and Japan.

I believe that—I take it that, although I am not a historian of the various tariff negotiations that were held, I take it that these tariff levels were influenced by various negotiations in the past number of years.

The CHAIRMAN. Well, the point that I have here is that in a great number of instance we have a specific tariff of so many cents per pound, 0.2 cent per pound, let us say. And as the price of the product has gone up, that 0.2 cent represented an ever lessening amount of tariff protection.

In other words, it started out to be a tariff protection of anywhere between 19 and 22 percent. But as the price of the commodity went up, the effect of that specific tariff had less and less impact. So it reduced it down to where it amounted to an ad valorem equivalent of only 4.4 instead of 22. Now, if meanwhile, somebody had made some trade agreements to negotiate down that rate, or that specific tariff, as the case may be, then the impact would be less than 4.4. So that if you had reduced it in half, that would be the equivalent of about a 2-percent ad valorem tariff instead of 4.4, would it not?

Mr. TROWBRIDGE. Yes, sir. I think your arithmetic is absolutely right.

The CHAIRMAN. When you nod, Mr. Secretary, the stenographer does not take that down. I know that you answered it, but the nod does not show it.

Senator Hartke?

Senator HARTKE. Mr. Trowbridge, I gather that you met this resolution with what I call less than enthusiastic support. That is perfectly all right, but may I ask this: Do you consider the balance of payments a serious problem in the United States?

Mr. TROWBRIDGE. I most certainly do, Senator.

Senator HARTKE. Do you feel that that balance-of-payments deficit is going to be smaller this year than last year, or larger?

Mr. TROWBRIDGE. As said by Senator Bennett, the evidence so far to date indicates we are going to have a very tough time in reducing the deficit down to a point below last year and, on the figures that are currently available, my own guess would be it will be higher.

Senator HARTKE. Be higher?

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. Now, how much higher?

Mr. TROWBRIDGE. Well, this is an awfully hard thing to predict, as you know, Senator.

The first quarter results, if taken on an annual rate, would put it up, as the Senator said, to about $2.3 billion versus $1.3 billion last year. There are many unknowns and there are very many changes that could happen in the 9 months to go.

Senator HARTKE. The fact of the matter is not only could there be changes which could decrease it, but if this war continues at its present level and you stop using inventory and start going into other new items of acquisitions overseas, which we probably now will have to do, the chances are that that 2.3 is going to be low, is that not true?

Mr. TROWBRIDGE. This could well be, Senator, if the pressures which you described and which we all know are resulting from the Vietnam situation, and other factors, continue; yes, sir.

Senator HARTKE. So you do consider the balance of payments to be a serious problem. The balance-of-payments deficit, in your opinion, in the first quarter would indicate that it would be up by at least $1 billion; is that right?

Mr. TROWBRIDGE. This is the way the figures point at the moment.

Senator HARTKE. That is a fair interpretation?

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. As a result of that, we have instituted several programs here in the United States, is that not true, which are supposed to reduce the balance of payments, but which have tended also to restrict the operation of our American business solely to the United States?

Mr. TROWBRIDGE. Well, sir, I believe we certainly have a program which is designed on many fronts to moderate——

Senator HARTKE. A program which is like a teardrop on the ocean, right?

Mr. TROWBRIDGE. I would not classify it as that, Senator. I think that the program—I am sure you are referring to the program on corporate investments overseas——

Senator HARTKE. Yes, sir.

Mr. TROWBRIDGE (continuing). Has been a program, as I say in the statement, designed to see if we can finance it somewhere else, to take a second look at projects which would be marginal, but which has retained a great deal of flexibility in the ability of the companies to maintain their overseas operations and to expand them.

The program in 1965, I think, was a successful one and all indications that we have are that the member companies are continuing the kind of cooperation they gave us last year, which was excellent.

Senator HARTKE. Now, whether it was successful or not depends upon a value judgment of the facts; is that not true?

Mr. TROWBRIDGE. A comparison of achievements versus goals; yes, sir.

Senator HARTKE. And that would also include whether or not you are making substantial gains in regard to balance of trade as well as to other factors, and if you take into consideration the balance of trade—is that not true?

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. If you take the balance of trade figures alone, you would have to say that the voluntary restraint program has been successful. Then certainly something else has been a failure.

Mr. TROWBRIDGE. There is no question our balance of trade, a favorable surplus of about $6.8 billion that we had in 1964, dropped down strongly in 1965 and the trend to date is in that same direction.

Senator HARTKE. That is right.

Mr. TROWBRIDGE. I think we are confronted, if you will allow me to comment on this, I think we are confronted with a situation in which, number one, we have a very strong and expensive domestic economy on top of which has come a large new defense procurement. This has had two impacts, generally speaking, in the trade fields.

No. 1, a great absorption power in the U.S. economy for imports because of the high levels of demand and purchasing power.

No. 2, I think we are seeing more and more evidence that American companies are producing very close to capacity, that they are taking care of domestic orders and defense orders, and that their availability for export of products has become less and that this is quite a difficult problem we are facing in our efforts to——

Senator HARTKE. Is one of these evidences of successful—let me correct that.

Is one of those evidences of this near-capacity the present large inventory of unpurchased automobiles held by the automobile dealers throughout the country and the drop in automobile sales? Is that the item to which you refer?

Mr. TROWBRIDGE. That was not what I was referring to, Senator.

Senator HARTKE. What were you referring to?

Mr. TROWBRIDGE. Well, I am referring, for instance, to a company that makes, let's say, pipe—oilfield pipe. That company is producing just as much as it can. Last year it sold in the overseas market quite a large amount of pipe for exports. This year, because of very strong demand internally, that company is not going after that particular export market that it filled last year. It is pushing its products to its domestic consumers and the export effort is therefore reduced.

This is the kind of situation—I would call the one in which we have heard more and more examples where companies are producing at high capacity and are filling domestic orders to it, let's say, laying off the export orders.

Senator HARTKE. Well, I look on page 17 of the staff committee's report here and I find no substantial change in the exports. It shows that there are two——

Mr. TROWBRIDGE. In 1966?

Senator HARTKE. I do not know that figure—do you have the 1966 figures?

Mr. TROWBRIDGE. Well, this is true, that the export totals, manufactured and agricultural products, have increased this year.

Senator HARTKE. No; let's stay with pipe for a moment. You picked pipe and I have here pipes and tubes and blanks for iron on table 18, which is shown here.

Now, you took pipe here as an example, I want you to show me where there has been a material change in the exports of pipe by U.S. producers?

Mr. TROWBRIDGE. The example I was referring to was a case of a particular company that I talked with recently.

Senator HARTKE. What is the name of the company?

Mr. TROWBRIDGE. It is a company in Texas. I wish I could remember its name, Senator. It was a company that last year exported to Venezuela, that this year has a prospect, or had prospect for a sale of some $3.5 million, at least to bid on, for pipe to Venezuela, and which is not going to go after that business because it is operating at full capacity. This is a future sale later on this year. This is the example I was citing.

Senator HARTKE. Let's put the record straight to show that in the overall analysis, forgetting this one unnamed, mysterious company in Texas——

The CHAIRMAN. Could that be Lone Star?

Lone Star produces steel in Texas.

Mr. TROWBRIDGE. It could be. I could produce the name for the record if you would like.

Senator HARTKE. Was the man you were talking to Mr. Marvin Watson of the White House? He was an officer in Lone Star.

Mr. TROWBRIDGE. No, sir; this was a member of the National Export Council that had its meeting here a month or so ago.

(Further clarification shows the name and company mentioned to be William Miller and U.S. Pipe & Foundry Co., Birmingham, Ala.)

Senator HARTKE. We would be glad to have those figures if you want to submit them for the record.

But I raised a question, since you mentioned pipes and tubes, that the record shows that the exports were practically the same for the year 1964 as they were in the year 1965. If you have anything which is contradictory to that, we would be glad to have it. (See table 8, p. 29.)

But I want to come back to this balance-of-payments problem. Is there anything that you can see at the moment in the overall economic picture which would tend to alleviate this substantial increase in the balance-of-payments deficit?

Mr. TROWBRIDGE. Is there anything in the overall economic picture that would alleviate it?

Senator HARTKE. Yes, that is right. That is exactly what I meant to say.

Mr. TROWBRIDGE. As a prospective move that we should make or existing factor?

Senator HARTKE. A prospective move you should make, on things I do not know about, and things which you have special knowledge of and special access to, or if there is not anything, then all I want to know is if that is true.

What I am trying to find out is if there is something which we do not know about that you know about and we should know about.

Mr. TROWBRIDGE. I cannot claim any special knowledge that you would not have, Senator. It seems to me that we are facing an increasingly difficult job of doing——

The CHAIRMAN. What the Senator wants to know is, is there anything you can foresee at this point that is going to correct this unfavorable balance of payments, or do you have any plans to do something that is going to correct it, or can we anticipate that it is going to continue the way it is now, unless someone comes up with something that you do not anticipate at this time?

That is the question, is it not?

Senator HARTKE. That is ultimately where I was going, but I did not want to take it all in such a big step. That is all right.

Mr. TROWBRIDGE. Well, sir, I think that the various statements by Secretary Fowler and Secretary Connor in the press conference several weeks ago are indicative of the problem, indicative of the pressures that we are confronted with in trying to reduce this balance-of-payments deficit.

I have no particular knowledge of any factors that were not mentioned in that press conference, nor do I have the crystal ball that will say here is the panacea for solving it. I think we are headed for continuing difficulty. We have full awareness in the administration of the importance of reducing that deficit. We are within the Government attempting to find ways of reducing the oversea defense procurement.

As you know, the foreign aid program is more strongly tied to U.S. procurement at every possible opportunity. We are working extremely hard to try to encourage greater exports on the part of U.S. manufacturing companies. We are looking at all parts of this problem and continuing to work on it. But if I were to claim that we had the golden rule answer to solve it overnight, I would have to say I do not, Senator.

The CHAIRMAN. To answer the question in one word, the answer is "No," is it not?

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. Now, let's come on back to this question of this voluntary program.

The overall effect, if this were continued for a period ad infinitum, would be to put us basically in an isolated economy, where we are operating within our own confines and permitting the rest of the industrialized world to take any new markets; is that not true?

Mr. TROWBRIDGE. You are talking of the corporate program on investments, Senator?

Senator HARTKE. Yes.

Mr. TROWBRIDGE. I do not think we can continue this program for an indefinite period of time, no. I believe that the program so far has had a moderating effect. At the same time, there has been flexibility in it and certainly the investment patterns show that many companies have proceeded with their plans for continued investments abroad, that they have done so within the guidelines of the program, and that their competitive ability has been, I am sure some companies will say, hampered by the program.

But from talking with many, many businessmen who have cooperated with the program, their feeling is that it has been one that they could live with and one that they have carried on their basic business decisions fairly flexibly within.

Senator HARTKE. Well, the real reason that there is any cooperation whatsoever is that there is a threat of mandatory controls; is that true?

Mr. TROWBRIDGE. That threat has never been stated and never been said by anyone other than those who see it in the wind. I do not think that there is a mandatory program under development that I have ever seen.

Senator HARTKE. I know, but the point about it is that the industry itself would prefer to have voluntary programs than it would to have mandatory programs; is that not true?

Mr. TROWBRIDGE. Yes, sir; I believe that is true.

Senator HARTKE. And there is always that possibility of having the mandatory programs in the background; is that not right?

Mr. TROWBRIDGE. Among the various alternatives that the Government could take, there are some mandatory ways. But I see no trend in that direction.

Senator HARTKE. And Secretary Connor has repeatedly stated that he prefers to have the voluntary approach.

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. That is right.

Now, there was an unnamed banker—I say "banker" in quotes—in New York who gave an interview, an exclusive interview, to the New York Times—I think it appeared in the Saturday paper about

2 weeks ago—in which he indicated that he had special information that if the balance-of-payments situation did not correct itself—this is contained in a series of predictions of his—that the Federal Government would find it necessary to impose other measures.

Do you know of any other measures that the Federal Government could impose other than mandatory restrictions on foreign capital investment?

Mr. TROWBRIDGE. Senator, I think we could probably run through a number of other measures the Government could take. If you take a look at the British attempt to solve their balance of payments, they have used other methods. Sure, there are lots of—I would not say lots, but there are techniques that one could take.

Senator HARTKE. For example.

Mr. TROWBRIDGE. Well, just take the ones the British have used of controls on their exports of their capital.

Senator HARTKE. These are mandatory controls.

Mr. TROWBRIDGE. This is a review of all outflow of private investment capital which the British companies wish to send overseas for investment. The British have also taken a step on the surcharge on imports, monetary surcharge.

These are techniques which other countries have used.

Senator HARTKE. But the net result, again, of all these programs, whether voluntary or mandatory, which restrict capital investment means simply this in the final analysis, that whatever new markets are to be acquired by foreign investment are denied to the United States and given to other industrial nations in the world. Is that not true?

Mr. TROWBRIDGE. Well, if there is a withdrawing or a lack of entry of American investment in a given market, surely the United States does not, by having not made that investment, does not get into that market. Whether that gap, or vacuum, would be filled automatically from some other source is very possible.

Senator HARTKE. Well, if it is going to be filled at all, it will have to be filled from some other source?

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. The natural item in that is to have it filled by some other industrial nation in the world.

Mr. TROWBRIDGE. This is a source of capital; yes, sir.

Senator HARTKE. Which is a new form of economic isolationism practiced by the United States in that program, is it not?

Mr. TROWBRIDGE. I am not sure you can say, Senator, that the program has created any kind of economic isolationism. It seems to me that our investment patterns, as strong as they are, have been continuing. They have been moderated. The companies have looked at their program from the point of view of the balance-of-payments impact. Many of them have proceeded to invest by generating the funds abroad. Others have worked out, say, a stretchout in their particular investment plans, looking at it from the point of view of maybe this one is purely marginal and the return on the investment may not be as good as we think it should be. Therefore, they have postponed it.

There have been many techniques the companies have used, using their own best business judgment. But they have done so with knowledge of the balance-of-payments problem of the Nation and have, I think, cooperated in doing so with the national interest.

Senator HARTKE. If you do not want to say it has created a new form of economic isolationism, you would agree it has tended toward economic isolationism; is that not true?

Mr. TROWBRIDGE. Senator, I would not say that; no. I just returned last night from a conference in Geneva of the Atlantic Council, where British, European, Canadian, American businessmen talked about some of these problems. We are not isolated from that part of the world. We are not isolated from the rest of the world. In fact, we are in very strongly and many of our European friends are concerned about the strength of our entry and our presence. But I think they recognize and we recognize as they become more and more multinational companies that there is no such thing as isolation any more, that there is a strong, active participation in the international economy by U.S. companies.

Senator HARTKE. I quite agree. I am not in favor of economic isolationism. That is why I am raising these questions.

What I am saying is that this program tends toward economic isolationism, and although we are not isolated, the truth of it is that this is a tendency to move, not toward internationalism, but toward a situation where we are counting on our own markets to take care of our own production, and we are restricting our business people from participating in the economic development of the rest of the world. Not at the expense of the rest of the world, but for the development of the rest of the world.

Mr. TROWBRIDGE. Sir, I am sure that there is no disagreement that we would be much happier if there were no kind of problem of the balance-of-payments nature, if we were closer to equilibrium and that there were no need for a program such as the balance-of-payments voluntary program.

This is, to be sure, in the direction of restriction, of moderation. We prefer to be without it. But I think we face perhaps another question which is equally important. That is the confidence of the dollar as a currency in the world today.

We, I think, can agree that to the extent that the confidence is undermined, American business, American trading interests certainly in many parts of the world are more in jeopardy every day.

Senator HARTKE. I am going to continue, but I think the chairman made a good suggestion.

I think if Mr. Bennett wants to go ahead, that is fine.

The CHAIRMAN. I thought we would sort of pass it around. Senator Hartke might want to pursue this matter in greater detail. I thought we would allow other Senators to ask questions and then come back to Senator Hartke.

Senator BENNETT. Mr. Trowbridge, I appreciate the answers you gave to the questions with which I interrupted your reading.

I would like you to turn to page 9 of your statement. You end your discussion of point 3 of the resolution with the statement:

> As my comments have suggested, we feel that Point 3 of the resolution, restricted in scope to steel imports, calls for a study which would be of limited value.

Of course, that immediately sets my mind working. What kind of a study would be of general value or overall value?

If we are going to say that we do not want to undertake the study of any particular problems of any particular industry because that study would be limited value, then we do not undertake the study of the problem as a whole. So I think the Department of Commerce should be concerned in the situation in which our balance of trade—not our balance of payments—seems to be lagging or at least getting no better.

We should take a look at all the industries of a major size, and we could set the size, whose exports are decreasing or whose imports are increasing at a rate above the growth of the domestic economy.

Now, I am not here to suggest that you should undertake such a study at the moment, though I am intrigued by the concept that the industry study has limited value. Maybe we should look at a study of the whole movement inside the balance-of-trade problem, because there are many other industries whose change of rate is probably substantially higher than that in the steel industry—either one way or another.

Is there any agency in Government that is making them, taking an overall look at the changes in the pattern of our balance of trade to find out where the trouble spots are?

Mr. TROWBRIDGE. Yes, sir.

We in Commerce, in both the Office of Business Economics, which deals with the overall balance-of-payments accounting and reporting, in the Bureau of International Commerce, where we particularly focus on the changing pattern of U.S. trade relations, both imports and exports and with all countries—we do this on a monthly basis and then a review on a quarterly basis to keep track of and analyze the change in those patterns where our marketing percentage, for instance, is changing.

One of the factors in that particular locality for exports is either encouraging or discouraging them, what industries are particularly strong from both the import and the export side, and we do keep, within the extent of our capabilities and information, we do keep, I think, a good running record on the total export-import trade pattern as it develops. We are trying to do some projections as well, trying to look forward.

Senator HARTKE. Is this published quarterly?

Mr. TROWBRIDGE. The overall results are published in the magazine called International Commerce, which we publish weekly.

Senator HARTKE. Are these total results or are they industry-by-industry changes?

Mr. TROWBRIDGE. We get down into major industry segments and major country changes. Our concentration is on the developed markets where the largest part of the trade takes place. We do have information down into the subcategories of various industries, broken down by the standard code figures.

Senator HARTKE. Would you call the steel industry a subcategory industry or would you have figures that refer specifically to the steel industry?

Mr. TROWBRIDGE. We have figures on that.

We do consider it a major category and we do have figures.

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Table 1 in our annex shows the general export-import trend since 1955 in millions of dollars and thousands of tons of steel mill products. (See p. 25.) We would be able to break this down in greater detail.

Senator BENNETT. I think it might be useful to this committee, and maybe we are imposing too great a burden on you, to have a composite table of the major, of the industries of sufficient importance so that their volume affects the balance of trade—what should we say, 2 percent, 3 percent—so we see the whole picture. Here is the steel picture.

I come from a part of the country that is disturbed by the importation of cattle and meat. I do not know what the current status of that is. I have not looked at it. Maybe it has straightened itself out. But I would be interested, if it would not be too great a burden, to have you draw off a table for the committee showing these industries, let me see, whose total volume is—I would not be able to put a figure; 1 or 2 percent.

Mr. Vail has handed me the Survey of Current Business for March 1966. Is this published monthly?

Mr. TROWBRIDGE. Yes, it is, sir.

Senator BENNETT. Maybe we should ask our own staff, Mr. Chairman, to take the breakdown that exists here on foreign trade by commodities and make an annual comparison so we will know those trouble spots and have the whole composite picture.

Mr. TROWBRIDGE. I would be very happy to supplement that information, Senator Bennett, from whatever information we can add that would be of interest to you.

Senator HARTKE. Senator Bennett, I might say in discussions with the chairman here this morning, he has indicated that just the preliminary indications here this morning might warrant a much deeper study of this whole thing by the committee and maybe other hearings into other industries along the line which you suggested or into the overall problem.

Senator BENNETT. Just as a background to determine whether or not such a study might be worthwhile, if it would be possible, could the Department take the most recent set of statistics, turn back a year or two and compare them, and let us pick out those industries where the change is greater than the growth, than our own internal growth on the imports?

As for exports, I think we would be interested in the major industries whose reduction in export trade over the last 4 or 5 years has been at a rate—well, I do not know—you are in a reverse rate; you cannot compare it with the rate of our growth.

Mr. TROWBRIDGE. I believe that Survey of Current Business deals with the 1965 performance.

We have, as I said, a quarterly review which——

Senator BENNETT. It shows the comparisons with 1965 by countries but not by commodities. I am interested in commodities.

Mr. TROWBRIDGE. I see.

Well, we can supply even more recent information as far as the first quarter of 1966 goes by major commodities and major trading areas, too.

Senator BENNETT. Well, the committee would be very much interested in all commodities important enough to be listed whose exports have decreased 25 percent over the last 5 years. That is a substantial and major change.

(The following statement was submitted for the record.)

Of our leading exports, only two commodities show a decline of 25 percent or more in 1965 compared to 1961. These are (1) iron and steel scrap, and (2) diesel-electric locomotives.

Mr. TROWBRIDGE. I might point out, Senator, what I am sure you are aware of, that the total amount of American exports each year has been increased. The rate of increase has not equaled the rate of increase of imports. Hence the surplus.

Senator BENNETT. I know, but these totals hide the trouble spots. This is the answer that you might give to the steel men; Well, do not worry about the fact that steel imports are decreasing.

Mr. TROWBRIDGE. There might be problem areas within that overall figure.

Senator BENNETT. Yes. It is the trouble spots we are trying to get at.

No further questions, Mr. Chairman.

Thank you very much, Mr. Trowbridge.

(Pursuant to the above questions, the following information was submitted by the Department of Commerce. The tables are from the Department of Commerce 1966 report, "U.S. Commodity Exports-Imports as Related to Output, 1963 and 1962." Comparable data for 1964 and 1965 are not yet available.)

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	AGRICULTURAL COMMODITIES												
01	Agricultural commodities, total	2,084.4	r2,110.9	r2,096.5	r2,126.8	r2,262.0	r2,302.6	(X)	(X)	(X)	(X)	(X)	(X)
	Supplementary[1]	678.0	r701.7	r673.2	r660.9	r695.5	r700.8	(X)	(X)	(X)	(X)	(X)	(X)
	Types grown domestically	534.5	r556.5	r534.5	r497.0	r531.2	r556.8	(X)	(X)	(X)	(X)	(X)	(X)
	Complementary[1]	1,406.4	1,409.2	1,423.3	1,465.9	1,566.5	1,601.8	100	100	100	100	100	100
0112S	Cotton farm products	24.1	24.9	31.1	22.6	21.1	26.0	1	1	1	1	1	1
01121S	Cottonseed	(Z)	(Z)	(Z)	-	-	-	(Z)	(Z)	(Z)	-	-	-
01122S	Raw cotton	24.1	24.9	31.1	22.6	21.1	26.0	1	1	1	1	1	1
01130S	Cash grain farm products	25.7	21.8	42.9	35.2	40.4	53.2	(Z)	(Z)	(Z)	(Z)	(Z)	1
	Barley	7.9	6.9	24.5	14.5	17.1	21.1	2	2	6	4	5	5
	Corn	1.8	2.5	2.3	2.0	2.3	3.2	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Oats	4.0	2.1	1.2	1.5	1.9	8.6	1	(Z)	(Z)	(Z)	(Z)	1
	Rye	.9	.3	1.1	3.2	4.5	3.6	3	1	4	10	17	10
	Wheat[2]	9.3	8.3	11.5	11.9	12.5	13.6	(Z)	(Z)	1	(Z)	1	1
	Soybeans (for beans)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Dry beans; field peas (including cowpeas)	1.6	1.6	2.2	1.7	2.1	1.4	1	1	1	1	1	1
0119	Field crops and seeds[3]	179.7	174.4	179.7	176.8	190.6	175.8	(X)	(X)	(X)	(X)	(X)	(X)
0119S	Supplementary	147.3	145.7	149.2	147.0	150.7	143.0	(X)	(X)	(X)	(X)	(X)	(X)
	Types grown domestically	129.6	127.4	137.6	134.1	136.3	130.2	(X)	(X)	(X)	(X)	(X)	(X)
01191S;2141	Leaf tobacco	99.0	101.2	114.2	115.5	111.8	105.0	7	7	8	9	10	9
	Flue-, fire-, and air-cured and other, including cigar binder	77.6	77.3	84.5	84.5	81.1	77.2	6	6	6	7	8	7
	Cigar filler	20.1	21.5	26.9	28.2	28.4	25.3	61	57	62	63	60	63
	Cigar wrapper	1.3	2.4	2.9	2.8	2.3	2.5	3	5	7	6	6	7
01192S	Field crop oil seeds, n.e.c.	5.9	6.2	5.0	4.5	5.3	5.8	(X)	(X)	(X)	(X)	(X)	(X)
	Types grown domestically	1.3	1.6	1.0	.7	.9	1.0	(X)	(X)	(X)	(X)	(X)	(X)
	Flaxseed	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Other (except cotton, soybean)	1.3	1.6	1.0	.7	.9	1.0	(X)	(X)	(X)	(X)	(X)	(X)
	Types not grown domestically:												
	Castor, sesame, poppy seed	4.6	4.6	4.0	3.8	4.4	4.8	100	100	100	100	100	100

01193S	Field seeds	18.7	15.3	14.4	12.0	14.8	9.6	(X)	(X)	(X)	(X)	(X)	(X)
	Alfalfa seed	1.8	1.3	.4	.2	.1	(Z)	4	3	1	1	(Z)	(Z)
	Clover seed, alsike	.7	1.0	.7	.3	.2	.6	88	90	70	27	15	26
	Clover seed, white and ladino	.3	.1	.1	(Z)	.1	.2	5	2	2	(Z)	2	5
	Clover seed, red	.6	1.9	1.6	.3	.4	.4	2	8	8	2	2	2
	Clover seed, sweet	1.6	2.0	1.4	.4	1.1	1.1	36	45	44	18	31	33
	Clover seed, crimson	(Z)	(Z)	.1	(Z)	.4	.5	(Z)	(Z)	4	(X)	(X)	(X)
	Bent grass seed	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(X)	(X)	(X)
	Orchard grass seed	2.0	.8	1.7	.7	2.0	.6	51	23	43	25	50	21
	Fescue seed, except creeping red[4]	.4	.2	.3	.1	4.0	2.6	4	3	6	(X)	(X)	(X)
	Creeping red fescue seed	2.0	1.6	1.9	2.4			65	67	76	(X)		
	Timothy seed	.6	.1	.2	.2	.2	.1	13	4	10	7	4	3
	Field and grass seed, n.e.c.	8.7	6.3	6.0	7.1	6.3	3.5	(X)	(X)	(X)	(X)	(X)	(X)
01194	Field crop fibers, except cotton	46.8	43.6	38.7	39.8	50.4	41.4	(X)	(X)	(X)	(X)	(X)	(X)
01194S	Supplementary	14.4	14.9	8.2	10.0	10.5	8.6	(X)	(X)	(X)	(X)	(X)	(X)
	Types grown domestically	1.3	1.2	.7	.9	.5	.6	(X)	(X)	(X)	(X)	(X)	(X)
	Types not grown domestically	13.1	13.7	7.5	9.1	10.0	8.0	100	100	100	100	100	100
01194C	Complementary (sisal, abaca, etc.)	32.4	28.7	30.5	29.8	39.9	32.8	100	100	100	100	100	100
01199S	Field crops, n.e.c.	9.3	8.1	7.4	4.9	8.2	14.1	(X)	(X)	(X)	(X)	(X)	(X)
	Hops	5.1	4.9	4.7	2.9	5.2	5.7	17	19	23	12	16	17
	Potatoes, white	1.8	2.1	1.9	1.6	2.4	6.6	(Z)	(Z)	(Z)	(Z)	(Z)	2
	Hay	.7	.3	.2	.2	.4	1.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Broom corn	1.1	.6	.4	.1	.2	.2	10	6	5	1	2	2
	Peanuts	.4	.2	.2	.1	(Z)	.2	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Other	.2	(Z)	(Z)	(Z)	(Z)	.1	(X)	(X)	(X)	(X)	(X)	(X)
0122	Fresh fruits and tree nuts	196.2	r186.3	r190.0	r211.0	r209.8	r179.2	(X)	(X)	(X)	(X)	(X)	(X)
0122S	Supplementary	111.7	r107.0	r110.8	r130.2	r130.0	r108.4	6	7	7	8	8	7
01221	Fresh fruits:												
01221S	Supplementary (types grown domestically)	22.2	r13.9	r12.7	r14.9	r13.5	r13.6	1	1	1	1	1	1
	Grapefruit	(Z)	(Z)	(Z)	.2	(Z)	.2	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Lemons	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Limes	.4	.3	.3	.3	.2	.3	17	16	19	20	13	23
	Oranges, tangerines, tangelos	4.6	1.1	.8	1.1	1.6	1.2	1	(Z)	(Z)	(Z)	(Z)	(Z)
	Cherries	1.4	1.1	1.7	1.6	.8	1.3	3	2	3	4	2	3
	Apples	6.0	4.6	3.9	3.7	3.6	3.1	2	2	2	2	2	2
	Apricots	(Z)	(Z)	(Z)	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Strawberries	.5	.2	.1	.1	(Z)	(Z)	1	(Z)	(Z)	(Z)	(Z)	(Z)
	Grapes	3.2	2.1	1.4	1.6	1.0	1.5	2	1	1	1	1	1
	Pears	1.7	1.2	.8	1.1	.7	.8	3	2	1	2	1	1
	Peaches	.5	.4	.5	.2	.2	.2	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Prunes and plums	.5	.4	.4	.3	.2	.2	1	1	1	(Z)	(Z)	(Z)
	Other[5]	3.3	2.5	2.6	4.6	5.2	4.8	6	5	6	9	12	10
01221C	Complementary (bananas, plantains)	83.1	78.6	78.6	79.9	78.5	70.5	100	100	100	100	100	100

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1]For definitions of "supplementary" and "complementary" see table 1A. Supplementary commodities are identified by "S" following code; complementary commodities by "C" following code.

[2]Imports represent mainly wheat unfit for human consumption.

[3]Imports do not include data for sweet potatoes.

[4]Perc[illegible] of [illegible]

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars) 1963	1962	1961	1960	1959	1958	Percent, imports to new supply (output plus imports) 1963	1962	1961	1960	1959	1958
	AGRICULTURAL COMMODITIES—Continued												
	Fresh fruits and tree nuts—Continued												
01222S	Tree nuts, edible	51.4	46.5	48.0	51.8	48.0	47.3	26	32	29	29	29	32
	Types grown domestically (almonds, walnuts, pecans, and filberts)[1]	4.9	3.4	5.9	6.7	9.0	8.3	3	3	9	5	7	8
	Types not grown domestically (Brazil, chestnuts, pignolia, etc.)	46.5	43.1	42.1	45.1	39.0	39.0	100	100	100	100	100	100
01223	Fruit and tree nut products, n.e.c. (types not grown domestically)	39.5	47.3	50.7	64.4	69.7	48.9	(X)	(X)	(X)	(X)	(X)	(X)
01223S	Copra	38.1	46.6	50.1	63.5	68.5	47.5	100	100	100	100	100	100
01223C	Dried papain, kola nuts, and coir fiber	1.4	.7	.6	.9	1.2	1.4	100	100	100	100	100	100
0123S	Fresh vegetables and melons[2]	48.4	[r]42.2	[r]34.3	[r]49.2	[r]42.7	[r]40.9	4	3	3	4	4	4
	Onions	3.2	[r]4.6	[r]2.8	[r]2.2	[r]3.5	[r]3.2	4	7	3	4	6	4
	Peppers	2.2	1.8	1.3	2.4	2.2	1.8	7	5	4	8	7	6
	Tomatoes	20.9	17.6	13.0	23.9	19.9	20.6	7	5	4	9	8	8
	Peas	.5	.4	.4	.5	.4	.5	1	1	1	1	1	1
	Beans, lima	(Z)	-	-	(Z)	(Z)	(Z)	(Z)	-	-	(Z)	(Z)	(Z)
	Beans, other	1.3	.7	1.1	.8	1.0	1.3	1	1	1	1	1	2
	Watermelons	1.1	1.2	1.2	2.2	1.8	1.1	3	3	3	6	4	3
	Cantaloupes	4.9	4.5	4.0	4.0	2.9	2.2	7	7	6	7	5	4
	Melons, n.e.c.[3]	1.4	1.2	1.1	1.7	1.0	.6	16	17	13	20	13	9
	Cabbage	.1	.2	.1	.2	.1	.3	(Z)	(Z)	(Z)	(Z)	(Z)	1
	Carrots	1.3	1.1	.9	.8	.3	.3	2	2	2	2	1	1
	Celery	-	(Z)	(Z)	(Z)	(Z)	(Z)	-	(Z)	(Z)	(Z)	(Z)	(Z)
	Lettuce	(Z)	.1	.2	.2	.2	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	Cucumbers	3.7	2.4	1.9	2.7	1.2	1.1	7	5	4	6	3	3
	Eggplant	.3	.2	.2	.3	.3	.2	10	6	7	10	9	8
	Garlic	3.9	2.7	2.0	2.6	3.2	2.5	51	47	44	40	55	52
	Other fresh vegetables[4]	3.6	3.5	4.1	4.7	4.7	5.1	2	2	2	2	3	3
0133S;0723S	Poultry farm and hatchery products	1.4	1.0	1.2	1.3	.5	.9	(Z)	(Z)	1	(Z)	(Z)	(Z)

0139	Livestock farm products	227.9	265.4	236.1	204.5	239.5	258.0	(X)	(X)	(X)	(X)	(X)	(X)
01391S	Livestock, except horses	74.3	117.0	100.9	68.7	89.6	138.4	1	1	1	1	1	1
	Cattle (all purposes)	74.1	116.6	100.8	68.2	87.8	137.3	1	1	1	1	1	2
01392	Wools	153.6	148.4	135.2	135.8	149.9	119.6	(X)	(X)	(X)	(X)	(X)	(X)
01392S	Supplementary	87.8	99.5	72.0	68.6	83.1	70.6	38	42	35	33	38	41
	Types grown domestically	72.1	86.2	61.0	53.1	64.4	48.5	34	38	31	28	32	32
	Wool, except mohair	71.7	85.3	58.0	49.2	62.0	47.1	38	42	34	30	36	35
	Mohair and other wool-like hair	.4	.9	3.0	3.9	2.4	1.4	2	4	12	15	9	9
	Types not grown domestically[5]	15.7	13.3	11.0	15.5	18.7	22.1	100	100	100	100	100	100
01392C	Complementary (mainly carpet wools)	65.8	48.9	63.2	67.2	66.8	49.0	100	100	100	100	100	100
0192	Horticultural specialities	25.9	25.1	26.3	26.6	25.2	24.4	(X)	(X)	(X)	(X)	(X)	(X)
0192S	Types grown domestically	15.4	16.9	16.9	17.6	16.7	16.2	(X)	(X)	(X)	(X)	(X)	(X)
0192C	Types not grown domestically[6]	10.5	8.2	9.4	9.0	8.5	8.2	100	100	100	100	100	100
0193	Animal specialities	162.2	145.4	132.5	142.0	139.8	114.3	(X)	(X)	(X)	(X)	(X)	(X)
01931S	Furs, undressed	116.6	101.6	89.4	95.6	95.5	80.8	(X)	(X)	(X)	(X)	(X)	(X)
	Types grown domestically	98.0	84.8	74.0	74.4	77.4	63.5	(X)	(X)	(X)	(X)	(X)	(X)
	Types not grown domestically (Persian lamb and caracul)	18.6	16.8	15.4	21.2	18.1	17.3	100	100	100	100	100	100
01932	Animal specialities, n.e.c.	45.6	43.8	43.1	46.4	44.3	33.5	(X)	(X)	(X)	(X)	(X)	(X)
01932S	Types grown domestically	18.4	17.0	16.0	19.2	19.6	17.9	(X)	(X)	(X)	(X)	(X)	(X)
01932C	Types not grown domestically	27.2	26.8	27.1	27.2	24.7	15.6	100	100	100	100	100	100
0199	Farm products, n.e.c.	1,192.6	1,224.4	1,222.4	1,257.6	1,352.5	1,429.6	(X)	(X)	(X)	(X)	(X)	(X)
0199S	Supplementary (certain unground spices)[7]	6.9	7.1	8.5	5.7	5.7	5.3	(X)	(X)	(X)	(X)	(X)	(X)
0199C	Complementary (spices, raw coffee, cocoa beans, tea, etc.)	1,185.7	1,217.3	1,213.9	1,251.9	1,346.8	1,424.3	100	100	100	100	100	100
	FORESTRY COMMODITIES												
08	Forestry commodities, total	238.1	269.3	257.3	362.8	423.6	286.3	(X)	(X)	(X)	(X)	(X)	(X)
0811S	Christmas trees, evergreen	6.0	6.5	5.8	6.4	7.0	5.3	(X)	(X)	(X)	(X)	(X)	(X)
0840C	Gum and barks	22.8	22.7	21.6	20.6	19.9	18.5	100	100	100	100	100	100
0861C	Forestry products, n.e.c. (crude rubber, dyeing, and tanning materials, lac, etc.)	209.3	240.1	229.9	335.7	396.7	262.5	100	100	100	100	100	100
	FISHERIES COMMODITIES												
09,2036S	Fisheries commodities, total	337.5	r344.6	r281.8	r251.5	r243.6	r221.7	(X)	(X)	(X)	(X)	(X)	(X)

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. not elsewhere classified. r Revised.
[1]Imports include shelled nuts.
[2]Imports include frozen vegetables; percentages based on output of fresh vegetables only.
[3]Percentages based on output of honeydew melons only.
[4]Percentages based on output of artichokes, asparagus, beets, broccoli, brussels sprouts, cauliflower, sweet corn, escarole, kale, shallots, and spinach.
[5]Alpaca, cashmere, camel, aleppo, etc.
[6]Mainly crude drugs, herbs, and roots.
[7]Imports include celery seed, capsicum, unground mustard, ground and unground paprika,

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	MINERAL COMMODITIES												
10-14	Mineral commodities, total[1]	2,324.4	2,353.6	2,185.3	2,289.3	2,295.0	2,260.5	(X)	(X)	(X)	(X)	(X)	(X)
10	Metal mining commodities, total	822.3	r909.5	r849.5	r1,052.5	1,061.7	1,028.9	(X)	(X)	(X)	(X)	(X)	(X)
1011	Iron ores and concentrates[2]	323.2	324.7	250.2	321.7	312.4	231.6	32	34	28	31	38	27
1021	Copper ores and concentrates[3]	12.8	12.1	30.9	49.4	23.1	46.0	2	2	4	7	4	8
1031	Lead and zinc ores[3]	55.1	61.7	59.1	71.6	66.3	103.8	24	28	27	30	30	41
10311	Lead ores and concentrates[3]	21.4	21.2	24.4	27.9	27.0	51.9	28	33	31	33	31	45
10312	Zinc ores and concentrates[3]	33.7	40.5	34.7	43.7	39.3	51.9	22	26	25	28	29	38
1051	Bauxite and aluminum ores	118.3	124.9	90.5	80.4	75.0	70.9	87	89	87	79	81	80
1062	Manganese ores and concentrates	67.6	66.2	78.4	82.3	74.8	76.4	94	94	94	93	81	70
1064	Tungsten ores and concentrates	1.6	2.9	2.0	3.5	4.2	12.0	18	20	16	26	48	47
1069	Ferroalloy ores and concentrates, except vanadium, n.e.c.	26.2	30.8	25.8	31.3	37.4	34.3	(X)	(X)	(X)	(X)	(X)	(X)
10691	Chromium	20.1	23.7	21.4	24.2	31.9	28.2	100	100	88	86	89	82
10693	Columbium and tantalum	5.5	6.9	4.3	4.8	3.8	4.5	100	100	(X)	(X)	(X)	(X)
1092	Mercury ores and metallic mercury	6.8	5.1	2.0	3.5	6.0	3.9	65	50	24	33	46	32
1093	Titanium ores	10.0	7.1	7.1	8.7	10.9	11.3	36	32	33	36	46	48
	Ilmenite concentrates	5.1	4.5	4.6	5.1	8.0	6.8	24	24	26	26	40	37
	Rutile concentrates	4.9	2.6	2.5	3.6	2.9	4.5	79	74	76	80	76	84
1094 pt.	Uranium ores	190.0	252.3	276.1	363.6	420.0	421.7	61	65	65	70	75	78
1099	Metallic mineral ores, n.e.c.	10.7	r21.6	r27.4	r36.5	31.6	17.0	(X)	(X)	(X)	(X)	(X)	(X)
10991	Beryllium concentrates	1.7	2.9	2.8	2.9	2.3	1.5	(X)	(X)	(X)	94	92	88
10992	Tin ores	3.1	13.6	21.9	31.1	23.3	11.2	(X)	100	100	100	100	100

11	Anthracite	.1	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
12	Bituminous coal and lignite	2.1	1.9	1.4	1.8	2.4	2.5	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
13	Oil and gas extraction products, total	1,123.2	1,099.0	978.4	923.6	893.1	961.5	9	9	9	8	8	10
1311	Crude petroleum and natural gas	1,123.2	1,099.0	978.4	923.6	893.1	961.5	10	10	9	9	9	10
13111	Crude petroleum	1,025.0	1,013.0	933.7	895.2	866.8	939.7	11	12	11	11	10	12
13112	Natural gas	98.2	86.0	44.7	28.4	26.3	21.8	(X)	4	2	2	2	2
14	Nonmetallic mineral products, except fuels[4]	376.7	r343.1	r356.0	r311.3	337.8	r267.6	(X)	(X)	(X)	(X)	(X)	(X)
1411	Dimension stone, rough	2.2	2.0	1.5	1.7	1.7	1.7	(X)	(X)	(X)	(X)	(X)	(X)
1421	Crushed and broken stone	2.1	2.4	1.5	1.8	1.9	1.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
1441	Sand and gravel	.6	.6	.6	.6	.7	.8	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
1452	Bentonite	(Z)	(Z)	.1	(Z)	(Z)	(Z)	(Z)	(Z)	1	(Z)	(Z)	(Z)
1455	Kaolin and ball clay	2.3	2.3	2.7	2.7	3.0	2.6	3	4	5	5	6	6
1453,4,9	Clay, ceramic and refractory materials, n.e.c	3.5	2.6	2.5	3.0	2.9	2.7	(X)	(X)	(X)	(X)	(X)	(X)
1456	Feldspar	.1	.1	.1	.1	.1	.1	1	1	1	1	1	1
1472	Barite (crude and prepared)	4.8	6.1	5.8	5.1	5.0	3.9	12	15	14	13	11	11
1473	Fluorspar	14.1	15.6	13.6	14.4	13.4	9.8	66	63	60	58	61	43
1474	Potash, soda, and borate minerals[5]	41.6	33.1	30.2	23.9	26.7	24.9	17	16	14	13	15	15
1475	Phosphate rock	3.7	3.6	3.6	3.8	3.4	2.9	3	3	3	3	3	2
1477	Sulfur (including elemental)	23.9	20.6	17.2	15.5	13.9	13.6	19	16	13	12	10	10
1479	Chemical and fertilizer minerals, n.e.c	2.0	r2.4	r2.7	r2.8	2.2	2.1	(X)	(X)	(X)	(X)	(X)	(X)
1492	Gypsum	10.9	10.5	9.1	9.0	11.9	6.9	22	22	21	20	23	28
1493	Mica, scrap, sheet and ground	2.1	1.9	1.9	2.2	7.4	5.1	18	15	14	17	39	33

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1]Imports for 1963 only do not include native asphalt and bitumens (code 1494).
[2]Imports include manganiferous iron ore (manganese content less than 10 percent).
[3]Percentages are based on output values estimated on the basis of recovered metals prices rather than at mine.
[4]Imports do not include salt (code 1476) for all years, or native asphalt (code 1494) for 1963 only.
[5]Imports do not include refined anhydrous sulfate and salt cake (crude) technical. (See code 28197.)

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	MINERAL COMMODITIES--Continued												
1494	Natural asphalt and bitumens	(NA)	.6	.3	.3	.1	.4	(X)	4	2	2	1	5
1495	Pumice and pumicite	.3	.2	.2	.3	.2	.3	4	3	3	5	3	6
1496	Talc, soapstone, and pyrophyllite	1.0	1.0	1.0	.8	.8	.7	5	5	6	5	4	4
1497	Natural abrasives, except sand	50.2	51.4	68.9	52.1	63.0	39.6	(X)	97	98	97	97	92
14971	Industrial diamonds	49.7	51.0	68.5	51.7	62.5	39.1	(X)	100	100	100	100	100
1498	Peat	12.4	12.9	13.2	13.5	13.6	12.0	69	71	73	73	76	74
1499	Nonmetallic minerals, n.e.c.	198.9	173.3	179.3	157.7	165.9	136.2	(X)	(X)	(X)	(X)	(X)	(X)
14991	Asbestos	61.7	64.2	58.9	63.3	65.0	58.3	92	93	93	94	94	92
14992	Cryolite	1.8	.9	1.2	1.7	2.0	2.3	100	100	100	100	100	100
14993	Diamonds (for gem stones)	129.9	102.4	114.7	88.1	94.3	72.4	100	100	100	100	100	100
	MANUFACTURED COMMODITIES												
20	Food and kindred products, total[1]	2,120.8	r1,900.9	r1,704.5	r1,683.1	r1,754.3	r1,613.7	(X)	(X)	(X)	(X)	(X)	(X)
2011,2013	Meat products[2]	600.2	r546.8	r450.0	r394.9	r483.0	r391.6	4	4	3	3	4	3
20111	Beef, except sausage and canned	307.6	265.3	188.3	143.4	191.2	117.4	5	4	3	3	3	2
20112	Veal, except sausage and canned	9.9	8.9	6.0	5.8	6.2	5.1	3	3	2	2	2	1
20113	Lamb and mutton, except sausage and canned	18.3	16.2	13.5	10.9	13.5	5.5	6	5	4	4	4	2
20114	Pork, fresh or frozen, except sausage and canned	13.8	15.3	14.0	14.0	15.9	19.9	1	1	1	1	1	1
20115	Lard	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
20116,20136	Pork, processed, except sausage and canned	5.4	4.6	4.4	4.4	2.6	1.6	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
20117,20137	Sausage, except canned	1.6	1.5	1.3	1.4	1.5	1.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
20118,20138	Canned meats	156.2	145.6	140.2	128.2	149.6	166.6	18	17	17	17	19	22
20119	Hides, skins, and pelts	59.5	63.4	61.8	67.9	84.7	52.0	22	15	15	17	19	21
20110	Other meat packing plant products[3]	10.7	r10.2	r 37.2	r 36.4	r 37.5	r 28.0	11	(X)	(X)	(X)	(X)	(X)
20139 pt.	Natural sausage casings	17.3	15.9	13.2	12.5	10.3	14.4	(X)	(X)	(X)	(X)	(X)	(X)

2015	Poultry and small game products	1.0	1.0	1.2	1.4	1.6	1.7	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
20151,3-5	Hens, turkeys, chickens, and other small game	.8	.8	1.0	.9	1.0	1.2	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
20156	Liquid, dried, and frozen eggs	.2	.2	.2	.5	.6	.5	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2021	Butter and anhydrous butterfat	.4	.4	.4	.5	.4	.4	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2022;20263	Cheese	37.3	36.3	35.6	31.3	30.8	27.3	4	3	3	3	3	3
2023	Concentrated milk:[4]												
20231	Dry milk products	15.6	17.4	r18.3	r15.1	r18.3	r17.8	(4)	(4)	(4)	(4)	(4)	(4)
20232,3	Condensed and evaporated milk, n.e.c	.1	(Z)	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2024 20261,2,4	Dairy products, n.e.c	1.6	(Z)	(Z)	(Z)	(Z)	-	(Z)	(Z)	(Z)	(Z)	(Z)	-
2031	Canned and cured seafood	85.5	r87.8	r82.2	r79.8	r90.7	r78.8	18	18	18	17	21	18
2032,3,7	Canned and frozen fruits, vegetables, specialties[5]	73.5	65.8	66.3	57.9	46.7	38.1	1	1	1	1	1	1
20322	Canned soups, except frozen or seafood[6]	.7	.7	1.5	.8	.7	.4	(X)	(X)	(X)	(X)	(X)	(X)
20331,4 20371	Fruits, canned or frozen; fruit juices[7]	41.4	33.9	35.9	35.3	26.9	19.3	3	2	3	3	2	2
20332,3; 20323	Canned vegetables	22.2	20.5	18.8	14.4	12.2	12.7	2	2	2	2	1	1
20336	Tomato catsup, sauces, and pastes	2.8	4.7	4.5	1.2	1.0	1.0	1	1	2	(Z)	(Z)	(Z)
20338	Jams, jellies, preserves	6.4	r6.0	r5.6	r6.2	r5.9	r4.7	3	2	2	3	2	2
2034	Dried and dehydrated food products	8.0	6.2	6.7	5.7	6.1	5.5	2	2	2	2	2	2
20352,3	Pickles; other pickled products; and meat sauces except tomato[8]	[8]23.2	25.9	24.8	21.6	21.4	22.0	7	8	8	7	7	8
2041,2,5	Flour and meal and prepared feeds	11.8	r7.7	r8.8	r11.2	r11.2	r11.4	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
20423	Dog and cat food	1.5	.9	1.6	2.2	1.2	1.4	(Z)	(Z)	(Z)	1	(Z)	(Z)
2043	Cereal preparations	.3	.2	.2	.2	.1	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2044	Milled rice and byproducts	.1	1.2	.7	2.6	.7	.6	(Z)	(Z)	(Z)	1	(Z)	(Z)
2046	Wet corn milling products	16.2	14.2	18.6	17.2	13.9	12.6	3	2	3	3	3	2
2051,2	Bread and other bakery products	10.9	11.1	8.9	9.5	8.1	7.5	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.
[1]Imports do not include fresh or frozen fish (code 2036). See Major Group 09.
[2]All imports of edible offal included in code 20111; imports of fresh, chilled, or frozen meat which is specially prepared for the retail consumer are included in code 20118.
[3]Imports for 1961 and earlier do not include some shipments of horsemeat.
[4]Imports do not include ice cream mix (code 20234); are virtually all casein.
[5]Imports of vegetable juices (code 20335) are with code 2086 and of frozen vegetables (code 20372) are with code 0123. Imports of canned baby foods (code 20321) and canned specialties (code 20324) are included in more specific classes for canned soups, vegetables, etc.
[6]Imports include frozen soups.
[7]Imports do not include canned olives.
[8]Imports include some canned olives belonging in code 20331.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	MANUFACTURED PRODUCTS--Continued												
2061,2,3	Sugar and byproducts	655.2	540.4	485.5	549.2	533.9	565.2	23	23	22	25	25	27
2071;20722	Candy and other confectionery products	31.9	25.8	21.7	20.6	18.6	16.0	2	2	1	1	1	1
20721,8 20998	Chocolate and cocoa products, except confectionery	20.2	23.6	27.2	31.0	33.4	27.8	5	7	8	8	9	7
2082	Malt liquors and brewing byproducts[1]	19.4	18.4	16.0	14.7	14.3	12.5	1	1	1	1	1	1
2083	Malt and malt byproducts	7.4	10.6	9.6	9.0	8.6	8.3	4	6	5	5	4	4
2084	Wines and brandy	68.5	65.5	57.8	52.9	48.2	44.5	16	16	16	16	15	15
20853	Bottled liquors, except brandy[2]	248.4	234.3	215.4	206.4	189.8	168.7	24	27	25	25	23	21
2086	Beverages, n.e.c	.2	.2	.3	.2	.2	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2091	Cottonseed oil mill products[3]	6.5	r7.9	6.8	5.8	8.8	7.3	1	2	2	1	2	2
20911,2	Cottonseed oil, crude and refined	-	r(Z)	-	-	-	-	-	(Z)	-	-	-	-
20913	Cotton linters	3.9	r4.9	4.1	4.1	3.8	3.4	9	8	7	8	8	11
20914	Cottonseed cake and meal and other byproducts[3]	2.6	3.0	2.7	1.7	5.1	3.9	1	2	2	1	4	4
2092	Soybean oil mill products	-	-	(Z)	(Z)	(Z)	(Z)	-	-	(Z)	(Z)	(Z)	(Z)
2093	Vegetable oil mill products, n.e.c	78.2	r67.8	r65.4	r71.9	r81.7	r73.6	29	26	24	26	27	28
20931	Linseed oil	(Z)	(Z)	(Z)	(Z)	(Z)	-	(Z)	(Z)	(Z)	(Z)	(Z)	-
20932	Vegetable oils, n.e.c.[4]	69.9	r59.4	53.3	58.8	65.2	54.6	42	35	31	33	34	40
20933	Other vegetable oil mill products	8.3	r8.4	r12.1	r13.1	r16.5	r19.0	18	23	29	33	34	30
2094	Grease and inedible tallow and byproducts	41.8	29.6	22.5	17.0	24.6	19.3	6	5	4	4	5	3
2095	Roasted and concentrated coffee	9.3	7.9	8.3	8.8	12.6	9.8	1	(Z)	(Z)	1	1	1
2096	Shortening, cooking oils and margarine	13.4	17.2	15.7	13.5	14.9	16.9	1	1	1	1	1	1
20961	Shortening and cooking oils	12.8	16.5	15.0	12.9	14.1	16.2	1	2	2	2	2	2
20962	Other	.6	.7	.8	.6	.8	.7	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)

2098	Macaroni and noodle products	1.6	1.5	1.2	1.3	1.4	1.2	1	1	1	1	1	1
2099 pt.	Food preparations, n.e.c.:												
20994	Baking powder and yeast	.4	.5	.5	.3	.2	(Z)	(Z)	1	1	(Z)	(Z)	(Z)
20996	Vinegar and cider	1.0	.8	1.3	.7	.8	.3	2	1	2	1	2	1
20999	Other food preparations, n.e.c.	25.8	22.5	23.4	26.0	27.5	25.3	3	2	3	3	4	4
2000	Miscellaneous food and kindred products[5]	5.8	r4.2	r3.1	r1.9	r1.7	r1.5	(X)	(X)	(X)	(X)	(X)	(X)
	TOBACCO MANUFACTURES												
21	Tobacco manufactures, total[6]	3.6	3.3	4.6	5.9	5.3	4.5	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2111	Cigarettes	.1	.1	.1	.1	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2121	Cigars	1.3	1.3	2.9	4.7	4.3	3.9	(Z)	(Z)	1	1	1	1
2131	Chewing and smoking tobacco and snuff	2.2	1.9	1.6	1.1	.9	.6	1	1	1	1	(Z)	(Z)
	TEXTILE MILL PRODUCTS												
22	Textile mill products, total[7]	744.8	r699.1	r589.9	r624.1	r568.2	r437.1	(X)	(X)	(X)	(X)	(X)	(X)
22111-7 2261	Cotton broadwoven fabrics[8]	111.7	111.4	74.5	96.5	65.5	50.3	4	3	2	3	2	2
22211-8 2262	Man-made fiber and silk broadwoven fabrics[8] [9]	57.2	63.6	50.1	65.0	67.8	45.7	3	4	4	6	5	4
22313,4,9	Wool broadwoven fabrics and blankets[10]	80.0	75.9	64.5	80.5	65.5	59.7	11	10	9	11	8	7
22313,4	Wool fabrics and felts	79.2	75.2	63.9	80.1	65.0	59.3	11	10	9	11	8	7
23319	Wool blankets	.8	.7	.6	.5	.5	.4	5	5	6	(X)	(X)	2
22411,4	Narrow fabrics	12.8	r10.6	r6.1	r6.1	r4.3	r3.7	6	3	2	2	1	2
2251,2	Hosiery	4.2	5.1	4.5	5.4	5.2	4.0	(Z)	1	(Z)	1	1	(Z)
2256	Knit fabrics	6.4	8.7	6.4	3.1	1.3	1.3	1	1	1	1	(Z)	(Z)

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1]Imports do not include brewers' grains.
[2]Imports do not include distillers' grain and dried solubles.
[3]Imports do not include byproducts other than cake and meal.
[4]Imports represent mainly coconut, palm, oiticica, and castor oil.
[5]Imports cover products primarily in this major group but not comparable to output at more detailed levels.
[6]Data do not include code 2141.
[7]Data for knit apparel (codes 2253,4,9) and mill-fabricated textile products (codes 22118,9,0; 22219) are included in Major Group 23.
[8]Percentages based on output adjusted to eliminate duplication. (See table 1C.)
[9]Imports are mainly silk fabrics.
[10]Percentages based on finished goods output only, excluding gray goods to avoid duplication.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	TEXTILE MILL PRODUCTS—Continued												
2271,2	Carpets and rugs, woven and tufted	23.6	[r]36.7	[r]43.9	[r]44.6	[r]51.2	[r]36.4	2	4	5	5	6	5
2279	Carpets, rugs, and mats, n.e.c.	16.7	[r]17.0	[r]11.0	[r]10.7			25	28	19	17		
2281	Yarns, cotton, man-made fibers and silk[1]	17.2	[r]18.5	[r]10.1	[r]10.7	[r]3.4	[r]2.6	1	1	1	1	(Z)	(Z)
22811	Cotton, carded	9.0	9.7	5.7	4.6	.2	[r].7	2	2	2	1	(Z)	(Z)
22812	Cotton, combed	2.1	4.6	1.3	2.7	.4		1	1	(Z)	1	(Z)	
22813,4	Man-made fiber and silk yarn	6.1	[r]4.2	[r]3.1	[r]3.4	[r]2.8	1.9	1	1	1	1	1	1
2283	Yarn, wool	23.6	21.7	13.6	14.3	15.4	7.4	5	5	3	4	4	3
2284	Thread	.9	1.0	.8	.7	.7	.7	(Z)	1	(Z)	(Z)	(Z)	1
2291	Felt goods, except woven felts and hats	.7	.5	.5	.6	.7	.8	1	(Z)	1	1	1	1
2292	Lace goods	7.9	8.7	8.3	9.9	9.1	9.1	14	13	12	16	13	14
2294	Processed waste	1.2	.8	1.3	6.3	2.1	.3	2	1	2	8	3	(Z)
2295	Coated fabrics, except rubberized[2]	2.5	[r]2.0	1.3	4.5	1.8	1.0	4	(X)	(X)	(X)	(X)	(X)
2296	Tire cord and fabric[3]	(Z)	(Z)	(Z)	.8	3.4	.3	(Z)	(Z)	(Z)	(Z)	1	(Z)
2297	Scouring and combing mill products	107.1	90.7	93.2	93.0	106.5	69.6	50	51	50	50	50	44
2298	Cordage and twine	53.8	45.3	38.9	35.9	38.1	36.2	28	23	21	19	22	21
22981	Hard fibers	51.6	43.2	36.8	33.6	35.2	33.6	55	47	44	43	41	39
22982	Soft fibers, except cotton	2.0	1.9	1.8	2.0	2.4	2.1	3	4	4	5	6	6
22983	Cotton	.2	.2	.3	.3	.5	.5	1	1	1	1	1	1
2299	Textile goods, n.e.c.[4]	217.1	180.8	160.9	135.5	126.2	108.0	(X)	(X)	(X)	(X)	(X)	(X)

	APPAREL AND RELATED PRODUCTS												
23	Apparel and related products, total[5]	400.4	r374.2	r282.9	r310.0	r272.9	r190.5	(X)	(X)	(X)	(X)	(X)	(X)
2342	Corsets and allied products	8.5	9.0	7.7	6.4	7.1	5.4	2	2	2	1	2	1
23421	Brassieres	8.4	r8.9	r7.7	r6.2	6.9	5.3	3	3	3	2	3	2
23422	Corsets and girdles	.1	r.1	r.1	r.2	.2	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2351,2	Hats and caps, including millinery	9.6	r9.6	r9.0	r10.6	r9.8	r8.4	3	3	3	3	3	2
2371	Fur goods	3.6	3.5	2.8	3.2	3.5	2.5	(X)	(X)	(X)	(X)	(X)	1
23871	Leather belts	.6	.7	.6	.6	.8	.7	(Z)	1	1	1	1	1
23215; 2322,2341, 2384,2254	Underwear, nightwear, including robes and dressing gowns	10.6	8.6					1	1				
2384	Robes and dressing gowns	2.9	2.2					2	2				
23215;2322 2341,2254	Nightwear and underwear	7.7	6.4					1	1				
2311- 2389 bal.	Apparel, n.e.c.	330.2	304.8					3	3				
23212, 23312, 23612, 22532	Shirts, knit	8.9	8.2	231.9	258.4	225.1	153.1	3	3	2	2	2	2
23214	Shirts, woven, men's and boys'	24.5	21.6					3	3				
23271	Trousers, men's and boys'	22.9	21.4					3	3				
23281	Work shirts, men's	.8	.4					1	(Z)				
23317;2335; 23610	Dresses, blouses, and waists	29.2	28.1					1	1				
2386	Leather clothing	5.7	8.1					9	11				
2381,2259	Gloves, n.e.c.	20.9	24.0					11	12				
2311-2389 bal.,22531	Other	217.3	192.9					4	(X)				
2391,2; 22118,9,0; 22219	House furnishings, n.e.c.	15.9	r12.3	8.0	7.7	7.0	6.6	1	1	1	1	1	1
2395-7	Embroideries, findings, trimmings	9.7	12.2	10.0	11.2	11.0	7.7	(X)	(X)	(X)	(X)	(X)	2
2300	Miscellaneous textile manufactures, n.e.c.	11.5	r13.3	r12.9	r11.9	r8.6	6.1	(X)	(X)	(X)	(X)	(X)	(X)

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1]Output of code 2269 not included in determining percentages.

[2]Imports for 1958 to 1962 not comparable to data for 1963 or to output data.

[3]Imports include tire fabric only.

[4]Imports consist largely of jute.

[5]Imports include knit apparel (codes 2253,4,9) and mill-fabricated textile products (codes 22118,9,0; 22219). Also included are exports of textile floor coverings (codes 2271-9), lace goods (code 2292), padding and upholstery filling (code 2293), and some miscellaneous products (part of code 2299).

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	LUMBER AND WOOD PRODUCTS												
24	Lumber and wood products, total	662.3	^{r}605.4	^{r}534.6	^{r}537.0	^{r}583.2	^{r}444.9	(X)	(X)	(X)	(X)	(X)	(X)
2411,2491	Logs, bolts and pulpwood	31.2	32.5	34.0	37.8	35.8	36.7	[1]	[1]	[1]	[1]	[1]	[1]
2421,2426	Sawmill products and hardwood dimension & flooring	362.1	336.9	312.9	309.6	341.5	265.5	10	10	10	9	9	9
2429	Special sawmill products, n.e.c.[2]	39.7	31.7	28.2	26.9	25.8	24.3	18	20	19	18	15	16
2431	Millwork products:												
24314,5	Wood doors	.7	.5	.4	.5	.8	.6	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
24316 pt.	Softwood finished wood moldings	6.1	4.8	5.0	4.6	.1	.1	4	3	3	3	(Z)	(Z)
2432	Veneer and plywood	146.1	132.2	97.9	100.8	127.9	80.9	10	10	9	9	10	9
24321	Plywood, hardwood	107.9	99.6	71.7	75.0	98.8	63.5	27	28	24	25	11	9
24322,3	Plywood, softwood	1.0	1.1	.9	.7			(Z)	(Z)	(Z)	(Z)		
24325	Veneer, hardwood	36.1	30.8	24.5	24.4	29.1	17.4	23	14	(X)	(X)	(X)	9
24326	Veneer, softwood	1.1	.7	.7	.7			1	1	(X)	(X)		
2441-3,5	Wood boxes, crates, and veneer and plywood containers, and cooperage	2.1	.6	.3	.2	.2	.2	1	(Z)	(Z)	(Z)	(Z)	(Z)
2499;2433 24311-3,7,8	Wood products, n.e.c	74.3	^{r}66.3	^{r}55.9	^{r}56.8	^{r}51.2	^{r}36.7	5	5	4	4	4	3
24991	Mirror and picture frames	1.9	1.7	1.3	1.1	.9	.6	2	2	2	2	1	1
24992,3,5 24311-3, 7,8;2433	Other wood products, except cork	54.8	50.5	42.7	43.8	36.9	27.4	4	^{r}4	^{r}4	^{r}4	^{r}3	^{r}3
24994	Cork products	5.2	3.9	4.1	4.7	4.5	3.6	17	12	13	(X)	(X)	11
24996[3]	Hard pressed wood fiberboard	12.4	10.2	7.8	7.2	8.9	5.1	9	8	7	7	8	5
	FURNITURE AND FIXTURES												
25	Furniture and fixtures[4]	34.7	32.5	27.5	28.0	23.0	18.1	(X)	(X)	(X)	(X)	(X)	(X)
	PAPER AND ALLIED PRODUCTS												
26	Paper and allied products, total	1,083.4	^{r}1,095.5	^{r}1,047.8	^{r}1,054.8	^{r}1,043.4	^{r}943.9	(X)	(X)	(X)	(X)	(X)	(X)

64-887 O - 66 - 5

2611	Pulp mill products	329.6	332.6	303.2	305.5	314.7	276.7	31	34	32	33	34	32
26111	Special alpha and dissolving wood pulp	42.5	43.3	30.4	39.6	34.0	25.3	17	21	17	21	18	16
26112	Pulp mill products, n.e.c.	287.1	289.3	272.8	265.9	280.7	251.4	35	38	37	36	38	37
2621 pt.	Paper mill products	720.6	r729.5	r715.1	r717.2	r696.7	r637.0	18	19	19	19	19	19
26211	Newsprint	687.8	695.8	686.5	688.7	665.7	615.1	73	72	73	73	74	74
26212	Groundwood paper, uncoated	7.5	7.2	6.2	7.2	7.5	6.6	4	4	4	4	1	2
26214	Book paper, uncoated	1.5	.6	.5	.3			(Z)	(Z)	(Z)	(Z)		
26215,8	Fine paper, including thin paper and tissue stock	11.9	r13.6	r11.2	r10.1	r10.6	r7.1	(Z)	1	1	1	1	1
26216	Coarse paper	11.6	11.9	10.2	10.5	12.6	7.9	2	2	1	1	2	1
26217	Special industrial paper	.3	.4	.5	.4	.3	.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2631	Paperboard mill products	6.6	7.3	5.9	5.5	7.1	7.7	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2641;26213	Coated and glazed paper	2.1	r1.7	r2.1	r3.0	r3.5	r3.4	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2642	Envelopes	.2	.2	.1	.1	.1	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2644	Wallpaper	2.7	3.3	2.7	3.2	2.8	2.4	8	10	8	(X)	(X)	6
2651,2	Folding and set-up boxes[5]	2.3	2.4	2.2	2.4	2.1	3.4	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2643,5,7,9 2653-5	Paper and paperboard products, n.e.c.	14.6	14.5	12.4	13.0	11.8	9.8	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2646	Pressed and molded pulp goods	2.7	3.4	2.9	3.2	2.7	2.1	2	3	3	4	3	3
2661	Building paper and board[6]	1.8	.7	1.2	1.7	1.9	1.3	1	(Z)	(Z)	1	1	(Z)
26611	Insulating board	1.5	.5	.9	1.5	1.9	1.0	1	(Z)	1	1	1	1
26612	Construction paper	.3	.2	.3	.2	.1	.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
	PRINTING, PUBLISHING, AND ALLIED PRODUCTS												
27	Printing, publishing, and allied products, total	63.7	54.6	44.6	39.3	34.3	27.7	1	1	1	(Z)	(Z)	(Z)
27111,3 27211,3, 5,7 pt.	Newspapers and periodicals	4.2	2.8	2.5	2.3	2.7	2.0	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2731	Books and pamphlets	38.1	32.0	24.1	20.9	17.5	14.9	2	2	2	2	2	1
2700	Printing, publishing, and allied products, n.e.c.[7]	21.4	19.8	17.9	16.1	14.1	10.8	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1]Total output figures are not available due to lack of data on shipments by jobbers engaging logging contractors and captive logging production by sawmills. The ratio of imports to new supply is estimated to be between 1 and 2 percent.

[2]Imports do not include excelsior or cooperage headings.

[3]Before 1963, code 24996 was equivalent to code 26613.

[4]Imports are not comparable to output; they represent only wood furniture, excluding wood partitions and fixtures. Data on metal furniture and fixtures are not separately available.

[5]Imports include some boxes of wood, covered or lined.

[6]Hard pressed wood fiberboard changed from code 26613 to code 24966 in 1963 SIC revision.

[7]Imports cover products primarily in this major group but not comparable to output at more detailed levels.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars) 1963	1962	1961	1960	1959	1958	Percent, imports to new supply (output plus imports) 1963	1962	1961	1960	1959	1958
	CHEMICALS AND ALLIED PRODUCTS												
28	Chemicals and allied products, total[1]	464.4	[r]450.5	[r]400.0	[r]390.4	[r]406.0	[r]329.0	(X)	(X)	(X)	(X)	(X)	(X)
2812	Alkalies and chlorine	2.3	2.5	2.1	2.4	1.8	1.7	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
28121	Chlorine	1.7	1.9	1.6	1.8	1.2	1.0	1	1	1	1	1	1
28122	Sodium carbonate	.2	.2	.2	.2	.2	.2	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
28123	Sodium hydroxide	.2	.2	.1	.1	.2	.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
28124	Other alkalies	.2	.3	.2	.2	.2	.2	1	1	1	1	1	1
2815	Intermediate coal tar products, dyes and pigments	47.3	41.9	33.4	27.7	31.2	24.3	4	4	3	3	3	3
28151	Cyclic (coal tar) intermediates	26.9	[r]22.8	[r]15.8	[r]14.5	[r]16.9	[r]13.0	4	3	2	2	3	2
28152,3	Synthetic organic dyes and pigments	20.4	[r]19.2	[r]17.6	[r]13.2	[r]14.3	[r]11.3	5	6	6	5	5	4
2816	Inorganic pigments	20.8	[r]16.4	[r]13.4	[r]12.7	[r]12.1	7.9	4	3	3	3	3	2
28161	Titanium pigments	9.3	6.2	3.5	2.4	1.1	.3	3	2	1	1	(Z)	(Z)
28162	Other white opaque pigments	3.1	2.9	2.5	3.1	3.6	2.5	6	5	5	5	6	2
28163	Inorganic pigments, n.e.c	8.4	[r]7.3	[r]7.4	[r]7.2	[r]7.4	5.1	5	5	5	5	5	4
28181-3,5	Industrial organic chemicals, n.e.c	64.1	[r]61.2	[r]54.0	53.7	44.0	37.6	2	2	2	2	1	1
28181,2	Miscellaneous chemicals and chemical products	49.0	44.2	33.2	35.5	35.2	29.5	1	2	1	1	1	1
28183	Synthetic organic chemicals, n.e.c. (except bulk surface agents)	15.1	17.0	7.0	6.3	4.2	3.8	2	3	2	2	1	1
28185	Ethyl alcohol and other industrial organic chemicals, n.e.c			[2]13.8	[2]11.9	[2]4.5	[2]4.4			(X)	(X)	(X)	(X)
2819	Industrial inorganic chemicals, n.e.c	108.8	[r]121.2	[r]118.7	[r]118.6	[r]133.2	[r]112.3	4	4	4	5	5	5
28191	Synthetic ammonia, nitric acid, and ammonium compounds	25.3	[r]26.9	[r]25.1	[r]23.5	24.8	24.5	4	5	5	5	6	6
28193	Sulfuric acid	.6	.6	.7	.8	.5	.4	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
28194	Inorganic acids, n.e.c	.7	.4	.6	.3	.2	.4	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
28195,6	Aluminum compounds	11.8	10.9	12.1	6.7	9.4	4.3	3	3	3	2	3	1
28192,7	Potassium and sodium compounds; bleaching compounds	10.9	12.1	11.3	11.0	10.1	9.1	2	2	2	2	2	2
28198,9	Inorganic chemicals, n.e.c	59.5	[r]70.3	[r]68.9	[r]76.3	[r]88.2	[r]73.6	7	8	8	9	11	10
28213-6	Plastics materials, synthetic resins, n.e.c	6.5	7.7	4.1	6.4	4.1	2.5	(Z)	(X)	(X)	(X)	(X)	(X)

2822	Synthetic rubber	9.2	r6.7	r6.4	r5.3	r4.0	r5.0	1	1	1	1	1	1
2823,4	Man-made fibers and yarns	42.4	r34.4	r21.1	r22.4	r42.0	r29.8	2	2	1	1	3	2
2831	Biological products	1.6	4.1	1.6	.6	.5	.4	1	3	1	(Z)	(Z)	(Z)
2833,4	Medicinal chemicals and pharmaceutical preparations	52.2	45.0	42.5	38.7	38.0	29.1	2	1	1	1	1	1
2841	Soap and other detergents:[3]												
28412,3	Soaps	1.2	1.0	.9	.8	.7	.6	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
28414	Glycerine	.2	1.1	2.3	3.1	2.2	3.3	(Z)	2	3	3	3	4
28424	Polishing preparations and related products	5.3	4.5	3.6	2.6	1.9	1.4	2	2	1	1	1	1
2843	Surface active and finishing agents[4]	2.8	2.1	1.1	1.1	1.2	.7	1	1	(Z)	(Z)	(Z)	(X)
2844	Toilet preparations	13.0	11.1	11.1	10.1	7.4	6.5	1	1	1	1	1	1
2851	Paints, varnishes, lacquers, enamels, and allied products	.6	.8	1.0	1.3	1.1	1.2	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2861	Gum and wood chemicals	9.1	10.2	10.7	11.4	15.7	14.1	4	5	6	6	9	9
2871,2	Fertilizers:	21.7	29.3	28.2	27.7	25.3	19.5	2	3	3	3	2	2
28711	Superphosphate and other phosphatic materials	10.5	12.7	7.6	7.6	14.0	10.3	3	6	4	4	7	6
28712; 28722	Mixed fertilizers and materials	11.2	16.6	20.5	20.1	11.4	9.2	1	2	2	2	1	1
2879;28184	Agricultural chemicals and formulations[5]	4.8	4.2	5.0	5.6	5.5	2.6	1	1	1	1	1	1
2891	Glue and gelatin	7.0	6.0	5.0	6.7	4.8	3.9	2	2	2	2	2	1
28911	Glues, adhesives, and sizes	.3	.3	.5	1.0	1.0	.9	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
28912	Gelatin, except ready-to-eat desserts	6.7	5.7	4.5	5.6	3.8	3.0	10	10	8	9	7	5
2892	Explosives	1.9	1.0	.8	.8	.5	.4	1	1	(Z)	(Z)	(Z)	(Z)
2893	Printing ink	1.7	1.9	1.3	1.2	1.2	.8	1	1	1	1	1	(Z)
2895	Carbon blacks	.2	(Z)	.1	.1	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
2899	Chemical preparations, n.e.c	39.4	36.4	31.6	29.4	27.6	23.3	4	4	3	3	3	3
28991	Salt	5.1	5.1	3.8	4.5	5.4	3.4	5	5	4	5	6	4
28992	Fatty acids	.2	.2	.1	.2	.1	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
28993	Miscellaneous chemical preparations, n.e.c	34.1	31.1	27.7	24.7	22.1	19.8	4	4	4	3	3	3

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.
[1]Imports exclude cyclic crudes, code 2814 (see codes 3312 and 2911), and semifinished plastics forms, codes 28211,2 (see code 3079).
[2]Represents natural menthol only.
[3]Imports do not include detergents (codes 28411,5,6).
[4]Imports do not include bulk surface active agents.
[5]Imports represent mainly pyrethrum and cube root manufactures.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars) 1963	1962	1961	1960	1959	1958	Percent, imports to new supply (output plus imports) 1963	1962	1961	1960	1959	1958
	PETROLEUM AND COAL PRODUCTS												
29	Petroleum and coal products, total[1]	780.2	r761.4	r689.7	r659.7	r677.8	r697.8	(X)	(X)	(X)	(X)	(X)	(X)
29111,2	Gasoline and kerosene	90.6	65.6	45.0	52.1	65.1	100.8	1	1	1	1	1	1
29113,4	Distillate and residual fuel oil	572.2	578.2	540.5	513.5	505.2	499.5	14	15	14	14	13	13
29116,29926	Lubricating oils	.3	.3	.4	.3	(Z)	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
29118	Unfinished oils	62.5	57.4	71.8	55.9	64.7	56.3	11	10	13	11	13	12
29115	Liquefied petroleum gases[2]	10.9	r11.1	r11.4	r15.3			(X)	(X)	(X)	(X)		
29117,0; 29927	Lubricating greases and other oils, n.e.c.	28.1	32.8	4.4	7.7	42.2	40.7	5	6	1	1	(X)	(X)
29119; 2951,2	Asphalt	[1]15.2	15.3	15.4	14.1			1	1	1	1		
2999 pt.	Products of petroleum and coal, n.e.c.	.5	.8	.8	.8	.6	.4	(X)	(X)	(X)	(X)	(X)	(X)
	RUBBER AND MISCELLANEOUS PLASTICS PRODUCTS												
30;28211,2	Rubber and miscellaneous plastics products, total[3]	135.3	r126.3	r122.9	r145.3	r107.3	r42.7	2	2	2	2	2	1
3011	Tires and inner tubes:												
30111,2,3	Pneumatic tires[3]	26.5	21.8	20.3	19.8	24.9	12.8	(Z)	1	1	1	1	1
30114	Inner tubes[3]	1.2	1.0	.9	.7	1.1	.5	(X)	(X)	(X)	(X)	(X)	(X)
3021	Rubber footwear[4]	47.6	52.3	64.7	85.9	47.5	11.5	12	14	19	25	17	5
3031	Reclaimed rubber	.1	(Z)	(Z)	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3069,3079; 28211,2	Miscellaneous rubber and fabricated plastics products, n.e.c.[5]	59.7	r51.2	r37.0	r38.8	r33.8	r17.9	1	1	1	1	1	(Z)

	LEATHER AND LEATHER PRODUCTS												
31	Leather and leather products, total..........	186.1	r187.9	141.0	134.3	r126.1	r89.3	(X)	(X)	(X)	(X)	(X)	(X)
3111	Leather..	47.9	r51.1	39.7	40.4	47.8	r31.2	7	7	6	6	6	5
31111,2	Cattle, calf, and kip...........................	25.5	r29.9	23.5	r23.7	r29.4	r18.5	5	6	4	4	5	3
31113-5	Other...	22.4	21.2	16.2	16.7	r18.4	12.7	12	13	10	(X)	(X)	7
3131	Footwear cut stock[6]................................	1.7	1.4	1.6	1.3	.8	.6	1	1	1	(Z)	(Z)	(Z)
3141	Footwear, except rubber and house slippers..........	71.5	70.0	52.6	45.3	37.6	29.0	5	3	2	2	2	1
31411-3	Men's, youth's, and boys' shoes..................	29.6	(NA)	(NA)	(NA)	(NA)	(NA)	4	(X)	(X)	(X)	(X)	(X)
31414-6	Women's, misses', children's, and infants' shoes..	34.9	(NA)	(NA)	(NA)	(NA)	(NA)	3	(X)	(X)	(X)	(X)	(X)
31417	Other footwear, except rubber......................	7.0	(NA)	(NA)	(NA)	(NA)	(NA)	12	(X)	(X)	(X)	(X)	(X)
3142	House slippers....................................	9.1	10.3	7.2	8.0	6.8	3.7	7	7	5	6	5	3
3151	Leather gloves[7].....................................	25.4	25.3	15.2	12.6	8.3	5.1	29	36	22	19	13	9
3161	Luggage..	10.9	12.4	11.0	11.1	11.7	9.1	5	6	6	5	(X)	5
3171	Handbags and purses................................	11.7	10.7	8.3	9.9	8.4	7.2	4	4	3	4	3	3
3172	Personal leather goods, n.e.c......................	2.6	2.5	1.9	2.2	1.6	1.1	2	2	1	2	1	1
3199,3121	Leather goods, n.e.c...............................	5.3	4.2	3.5	3.5	3.1	2.3	4	3	3	2	2	2
	STONE, CLAY, AND GLASS PRODUCTS												
32	Stone, clay, and glass products, total[8].......	252.0	r255.5	r221.7	r243.3	r243.9	r173.9	(X)	(X)	(X)	(X)	(X)	(X)
3211;32313	Flat glass...	43.9	r51.2	r47.7	r50.3	r58.0	r34.5	6	7	7	6	7	6
32111,2,4	Flat glass, except laminated......................	43.0	r50.2	r47.0	r49.4	r56.0	r33.4	9	12	12	11	12	10
32113,32313	Laminated.......................................	.9	1.0	.7	.9	2.0	1.1	(Z)	(Z)	(Z)	(Z)	1	(Z)
3221	Glass containers....................................	2.0	1.8	1.8	2.1	1.3	.9	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3229; 32315,6	Glass products, n.e.c..............................	32.8	r33.8	r28.8	r27.2	28.2	r21.6	3	4	3	3	3	3
32292	Lighting and electronic glassware.................	5.9	5.4	4.2	4.0	4.1	2.7	3	3	3	3	3	2
32293	Glass fiber.....................................	.1	.1	.1	.1	.9	.3	(Z)	(Z)	(Z)	(Z)	1	1
32291,4; 32316	Other glassware, n.e.c..........................	24.2	r25.7	r22.5	r21.2	r21.2	r15.9	4	5	4	4	4	4
32315	Mirrors...	2.5	2.7	2.0	1.9	2.0	2.7	2	3	2	2	2	2

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1]Imports include code 1494 for 1963 only.
[2]Imports include some cyclic crudes also belonging in codes 3312 and 2814.
[3]Imports of aircraft tires and tubes and of bicycle tubes included in Major Group 37.
[4]Imports probably include significant amounts of plastic footwear.
[5]Imports probably omit many plastics products which may be reported under codes applying to products other than rubber or plastics.
[6]Imports include footwear cut stock of leather only.
[7]Imports are for gloves in chief value of leather; percentage based on output of all-leather gloves.
[8]Imports do not include code 3295, included in Major Group 14.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	STONE, CLAY, AND GLASS PRODUCTS--Continued												
3241	Cement, hydraulic	10.2	13.2	9.2	10.3	13.8	9.7	1	1	1	1	1	1
3253	Ceramic wall and floor tile	23.4	19.4	15.0	14.5	10.7	5.8	16	11	10	9	6	4
3251,9	Brick and structural clay tile[1]	.9	.7	.9	.8	.8	.5	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3261	Vitreous plumbing fixtures	.6	.6	.3	.4	.4	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3262	Vitreous china table and kitchenware	20.8	24.8	21.1	23.4	21.8	17.8	31	34	32	32	31	26
3263	Fine earthenware table and kitchen articles	14.8	13.6	11.7	13.0	11.6	9.0	20	21	19	17	16	15
3264,9	Porcelain electrical supplies, and other pottery products, n.e.c.	27.8	21.7	20.8	28.3	23.6	19.7	12	10	10	13	11	11
3271,2	Concrete products[2]	1.2	.9	.7	.8	.6	.4	(X)	(X)	(X)	(X)	(X)	(X)
3274	Lime	1.5	1.2	.7	.9	1.0	.7	1	1	1	1	1	1
3281	Cut stone and stone products	15.7	13.9	10.0	8.9	8.4	5.9	8	6	4	4	4	3
32811	Cut granite and granite products	1.5	r1.1	.8	1.0	1.0	.7	2	1	1	1	1	1
32812,3	Cut stone products, n.e.c.	14.2	r12.9	9.2	8.0	7.4	5.2	13	12	9	8	7	5
3291	Abrasives products[3]	27.1	28.2	27.4	32.2	28.4	21.1	5	5	5	6	5	5
32911	Nonmetallic artificial sized grains, powders	2.1	1.9	.5	.5	.6	.3	3	3	1	1	1	1
32912	Nonmetallic bonded abrasive products, compounds[4]	23.0	23.9	25.0	29.7	r26.2	19.8	9	9	11	12	10	11
32913	Nonmetallic coated abrasive products	1.5	1.6	1.3	1.5	1.0	.7	1	1	1	1	1	1
32914	Metal abrasives[3]	.5	.7	.6	.5	.6	.3	1	1	1	1	1	1
3292,3	Asbestos products, gaskets, and insulations[5]	7.9	6.0	4.9	6.5	4.9	1.9	1	1	1	1	1	(Z)
3297; 3255	Refractories	3.4	r2.7	r2.7	r3.1	r3.1	r2.1	1	1	1	1	1	1
3299	Nonmetallic mineral products, n.e.c.	6.3	8.7	6.8	6.9	8.3	9.5	(X)	(X)	(X)	(X)	(X)	15
3300	Miscellaneous nonmetallic mineral products[6]	11.7	r13.1	r11.2	r13.7	r19.0	r12.7	(X)	(X)	(X)	(X)	(X)	(X)

	PRIMARY METAL PRODUCTS												
33	Primary metal products, total[7]	1,628.6	r1,437.5	r1,296.8	r1,373.3	r1,485.7	r964.1	(X)	(X)	(X)	(X)	(X)	(X)
33121-8,0; 33155; 3313,6,7; 2814	Blast furnace, steel mill, electrometallurgical products[7]	647.0	r499.7	r416.8	r468.1	r551.3	r197.5	4	3	3	3	3	1
33121,3313 2814	Coke oven, blast furnace, and electrometallurgical products[7]	72.6	r70.9	r88.6	r71.1	r100.8	r47.7	4	4	5	4	5	3
33122	Steel ingots and semifinished shapes	102.3	75.7	60.6	55.7	54.2	20.3	5	4	3	3	2	1
33123,4	Hot rolled steel sheet, strip; structural shapes and bars	258.1	r192.6	r146.7	r204.8	r258.6	r77.3	3	3	2	3	4	1
33125,33155	Steel wire	51.1	r45.8	32.3	35.3	36.4	17.7	8	7	5	6	5	3
33126,33176	Steel pipe and tube[8]	109.4	r93.5	79.8	r77.5	87.8	[2]30.7	6	5	4	4	4	2
33127,33167	Cold rolled steel sheets and strip	48.7	r18.5	r6.5	r20.4	r11.2	r3.3	2	1	(Z)	1	(Z)	(Z)
33128,33168	Cold finished bars and shapes	3.8	r1.7	r1.1	r2.5	r1.5	r.2	1	(Z)	(Z)	1	(Z)	(Z)
3312	Other steel mill products, n.e.c.	1.0	1.0	1.2	.8	.8	.3	1	1	(X)	(X)	(X)	(X)
33152	Steel nails and spikes	42.0	40.0	36.9	39.0	48.7	30.3	21	22	22	23	24	16
3321	Gray iron castings	7.7	6.4	5.9	5.2	5.1	2.5	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
33212	Cast iron pressure pipe and fittings	.6	.8	.2	.5	.7	.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
33213	Cast iron soil pipe and fittings	3.7	3.3	2.2	1.6	1.1	.8	2	2	2	1	1	1
33211,4	Molds for heavy steel ingots	3.4	2.4	3.4	3.1	3.2	1.4	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3322	Malleable iron castings	.3	r.3	r.2	r.3	r.2	r.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3323,3391, 33129	Steel castings and forgings	5.8	4.9	1.3	1.7	.9	.5	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3331;33412, 33512	Copper smelting, refining, rolling mill, etc., products, except wire:[9]												
33311	Smelter products	165.1	157.5	169.4	187.7	75.4	94.9	21	20	21	24	18	21
33312, 33412,33512	Refined, rolled, and drawn copper and alloys[10]	126.0	r121.9	96.3	r180.5	227.3	125.0	6	6	5	9	11	8

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1]Imports do not include clay sewer pipe and fittings (code 32591).
[2]Imports represent cement floor and wall tile only.
[3]Imports do not include metal scouring pads.
[4]Imports represent mainly crude lump artificial abrasives.
[5]Imports do not include gaskets, other than of asbestos.
[6]Imports cover products primarily in this major group, but not comparable to output at more detailed levels.
[7]Imports do not include such coal tar derivatives as benzene and toluene produced primarily from petroleum (see code 29115); however, they do include some cyclic crudes of code 2814.
[8]Imports for 1963 and 1962 include oil country pipe; in 1961 and earlier years this data was included in code 3441.
[9]Totals not shown because of extensive duplication in output.
[10]Output includes substantial duplication.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	PRIMARY METAL PRODUCTS--Continued												
3332;33413	Lead smelter and refinery products:[1]												
33321	Lead smelter products	1.8	.7	1.4	.3	(Z)	.1	(X)	(X)	(X)	(X)	(X)	(X)
33323;33413	Refined lead	44.3	47.9	62.7	63.6	79.3	83.0	14	16	19	19	22	23
3333;33414	Zinc smelter and refining products	29.0	29.0	27.7	29.8	34.1	35.7	9	9	9	10	11	13
33331	Zinc smelter products	.2	.3	.1	.2	.1	.1	1	1	(Z)	1	(Z)	(Z)
33334;33414	Refined zinc	28.8	28.7	27.6	29.6	34.0	35.6	10	11	10	11	13	15
3334; 33417,8; 33527,8	Aluminum and aluminum-base alloys	163.2	128.6	91.2	75.8	111.3	117.3	10	9	7	6	9	10
3339; 33415,6	Nonferrous smelter and refining products, n.e.c.	340.0	r336.2	r323.2	r263.3	r286.7	r238.6	44	39	42	37	48	40
33395;33415	Precious metals[2]	36.4	r25.6	r26.2	r25.7	r23.4	r16.1	(X)	(X)	(X)	(X)	(X)	(X)
33397;33416	Other refined nonferrous metals[3]	303.6	r310.6	r297.0	r237.6	r263.2	r222.5	62	57	58	52	61	58
33522-6	Aluminum—rolled, drawn, extruded, except wire	30.6	43.5	39.3	32.0	40.8	23.9	2	3	3	2	3	2
33523	Plain foil	5.5	6.4	6.3	6.1	5.9	3.7	4	3	3	3	3	3
33522	Plate and sheet	22.6	32.0	28.0	22.2	34.9	20.2	3	4	4	3	2	2
33524-6	Other[4]	2.5	5.1	5.0	3.7			(Z)	1	1	1		
3356;33573	Mill products of nonferrous metals, n.e.c.—rolled, drawn, or extruded[5]	15.7	r9.9	r13.4	r10.6	r15.8	r10.4	2	2	2	2	3	3
3357 pt., 33511, 33521;36996	Nonferrous wire and cable[6]	8.4	9.4	9.7	14.1	7.5	3.5	(Z)	(Z)	1	1	(Z)	(Z)
33991	Metal powders and paste	1.7	1.5	1.3	1.3	1.2	.8	2	2	2	2	2	1

	FABRICATED METAL PRODUCTS												
34	Fabricated metal products, total[7]............	189.2	r189.5	r163.8	r175.4	r170.4	r111.5	(X)	(X)	(X)	(X)	(X)	(X)
3421	Cutlery...	19.7	11.6	9.6	10.2	9.3	8.2	8	5	5	6	5	5
34211	Cutlery, scissors, shears, etc..................	16.2	11.1	9.4	10.0	9.2	8.0	15	12	11	12	10	9
34212	Razor blades and razors, except electric.........	3.5	.5	.2	.2	.2	.2	3	(Z)	(Z)	(Z)	(Z)	(Z)
3423	Hand and edge tools, except saws..................	17.2	r15.7	r14.1	r15.0	r13.5	r10.1	3	3	3	3	3	2
3425	Hand saws, saw blades, and accessories............	2.7	2.9	3.0	2.8	2.6	1.7	3	3	3	3	3	2
3429	Hardware, n.e.c.[8]................................	8.0	6.8	5.0	5.1	4.0	2.7	(X)	(X)	(X)	(X)	(X)	(X)
3432	Plumbing fixture fittings and trim (brass goods)...	2.8	2.9	1.9	2.8	(NA)	(NA)	1	1	1	1	(X)	(X)
3441	Fabricated structural iron and steel...............	7.0	r9.5	[9]8.9	[9]18.1	[9]17.0	[9]10.4	(Z)	(X)	(X)	(X)	(X)	(X)
34422	Metal windows and sash frames[10]...................	.3	.4	.4	.5	1.1	.9	(Z)	(Z)	(Z)	(Z)	(X)	1
34434,5,7-9	Gas cylinders and metal tanks......................	2.9	3.5	2.3	2.7	2.6	1.8	(Z)	1	(Z)	(Z)	(Z)	(Z)
34521,2	Industrial fasteners (bolts, nuts, screws, etc.)...	24.8	23.7	15.6	17.8	18.1	10.5	2	2	2	2	2	1
3481; 3315 pt.; 33575	Fabricated wire products[11].........................	45.1	40.5	37.4	38.8	48.5	30.5	3	3	3	3	3	3
34811,33151	Noninsulated ferrous wire rope, cable, strand....	13.3	12.0	10.2	12.0	14.3	7.2	7	6	5	6	7	4
34814-9; 33156-9; 33575	Other fabricated wire products....................	31.8	28.5	27.2	26.9	34.2	23.3	4	3	3	3	4	3
3494	Valves and pipe fittings...........................	8.4	6.8	([12])	([12])	([12])	([12])	1	(Z)	(X)	(X)	(X)	(X)
34941,3,4	Metal valves, except plumbers brass goods........	2.7	2.4	1.5	1.8	1.8	1.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
34942	Metal fittings and unions for piping systems.....	5.7	r4.4	([12])	([12])	([12])	([12])	1	1	(X)	(X)	(X)	(X)
3400	Miscellaneous fabricated metal products[13]..........	50.4	r65.2	[12]64.1	[12]59.8	[12]51.9	[12]33.6	(X)	(X)	(X)	(X)	(X)	(X)

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.
[1]Totals not shown because of extensive duplication in output.
[2]Imports include platinum group metals only.
[3]Imports are mainly nickel and tin.
[4]Imports include bars and rods only.
[5]Output of code 33573 not available for years prior to 1963; percentages based on output of code 3356 only.
[6]Imports do not include flexible cord sets (part of code 33576).
[7]Imports include data of codes 33151,7,9 and 33575.
[8]Imports are not comparable to output; do not include transportation, furniture, and miscellaneous hardware items.
[9]Includes oil country pipe belonging in code 3312.
[10]Imports include iron and steel window sash and frames only.
[11]Imports do not include wire springs (codes 34812,3).
[12]Imports of code 34942 included in 3400 for 1958 to 1961.
[13]Imports cover products primarily in this major group but not comparable to output at more detailed levels

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars) 1963	1962	1961	1960	1959	1958	Percent, imports to new supply (output plus imports) 1963	1962	1961	1960	1959	1958
	MACHINERY, EXCEPT ELECTRICAL												
35	Machinery, except electrical, total[1]	572.3	r507.9	r421.8	r412.2	r381.2	r277.6	(X)	(X)	(X)	(X)	(X)	(X)
3511	Steam engines, turbines, turbo-generators, and parts	12.1	6.0	2.4	4.0	5.8	.8	2	1	(Z)	1	1	(Z)
35191-6	Internal combustion engines, n.e.c	12.8	8.3	11.3	8.7	4.6	3.8	1	1	1	1	(Z)	(Z)
3522	Farm machinery and equipment	175.2	150.9	114.1	134.7	169.1	122.3	6	6	5	6	7	5
35222,8 pt.	Wheel tractors (except contractors' off-highway), garden tractors, etc.; parts and attachments	54.8	52.4	34.7	46.2	52.1	29.3	6	6	5	8	6	4
35223 pt.	Planting, seeding, and fertilizing machinery	9.0	8.6	5.7	6.7	4.1	3.2	10	10	7	8	5	4
35224 pt.	Plows, listers, harrows, rollers, pulverizers, and stalk cutters	9.5	8.4	5.3	5.5	10.8	7.6	6	6	5	5	7	6
35226 pt.	Haying machinery and mowers, except lawn mowers	18.7	15.5	9.5	10.3	7.6	3.7	15	12	9	9	8	15
35227	Lawn mowers and parts	.3	.3	.3	.4	.4	.5	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
35225 pt.	Harvesting machinery	44.7						13					
35228 pt.; 35220	Farm machinery (except tractor) parts and other farm machinery, n.e.c	38.2	65.7	58.7	65.6	94.1	78.0	5	7	6	7	10	7
3531-7	Construction, mining, and materials handling machinery, equipment, and parts	30.7	26.2	11.6	12.1	(NA)	(NA)	1	1	(Z)	(Z)	(X)	(X)
3541	Metal-cutting machine tools and parts[2]	33.4	28.5	22.7	26.3	23.8	17.7	4	3	3	3	4	3
35411	Boring machines[2]	3.1	2.2	2.5	3.5	3.3	3.5	4	4	5	7	6	6
35412	Drilling machines[2]	1.0	.9	1.4	1.7	1.6	1.0	2	2	4	4	5	3
35413	Gear cutting and finishing machines[2]	1.1	.8	.9	1.5	1.4	.7	3	2	2	4	5	3
35415	Lathes[2]	8.8	8.4	7.8	8.5	7.3	4.1	5	5	6	6	6	4
35416	Milling machines[2]	2.2	1.8	2.6	3.1	2.2	2.1	2	2	3	4	3	2
35414,8	Other metal-cutting machine tools[2]	9.8	7.7	7.5	8.1	7.9	6.3	4	3	3	3	3	4
35419 pt.	Parts for metal-cutting machine tools[2]	7.4	6.7	(NA)	(NA)	(NA)	(NA)	4	5	(X)	(X)	(X)	(X)
3542; 35485	Machine tools, metal-forming, and parts	11.7	9.1	9.8	9.4	8.7	10.5	2	2	2	2	2	3

35451,2	Small cutting tools for metalworking machinery, and precision measuring tools	7.6	7.2	5.4	5.4	5.3	3.3	1	1	1	1	1	1
35451	Small cutting tools for metalworking machinery[3]	6.1	5.8	4.4	4.3	4.2	2.7	1	1	1	1	1	(X)
35452	Precision measuring tools	1.5	1.4	1.0	1.1	1.1	.6	2	2	2	2	2	1
3551	Food products machinery	14.1	r10.1	r8.4	r6.1	r3.1	3.5	3	2	2	1	(X)	(X)
3552	Textile machinery and parts	38.3	40.4	35.4	28.1	20.6	12.7	7	7	7	5	5	4
3553	Woodworking machinery and parts	5.3	4.8	4.4	4.9	1.5	1.3	2	2	2	3	1	1
3554	Paper industries machinery and parts	12.9	6.9	3.7	4.9	3.4	3.7	4	2	1	1	1	1
3555	Printing machinery and parts	23.5	21.1	20.4	20.0	16.4	15.3	6	5	5	5	5	5
35551	Printing presses	16.4	14.4	15.5	15.4	12.3	11.6	11	9	11	11	10	11
35552	Other printing trades machinery and parts	7.1	6.7	4.9	4.6	4.1	3.7	3	3	2	2	2	2
3559	Special industry machinery[4]	23.7	r26.9	r21.2	r13.7	7.6	5.4	(X)	(X)	(X)	(X)	(X)	(X)
3561,3586; 39991	Pumps and compressors	9.2	6.7	5.4	6.3	(NA)	(NA)	(Z)	1	(Z)	1	(X)	(X)
35614	Air and gas compressors, except refrigeration	2.3	2.0	1.3	1.5	.9	.4	1	1	(Z)	1	(Z)	(Z)
35616	Parts and attachments for air compressors	3.4						1					
35611,2,3,5; 3586;39991	Domestic water systems and pumps and pumping equipment, except oil and gas compressors	3.5	4.7	4.1	4.8	(NA)	(NA)	(Z)	(Z)	(Z)	1	(X)	(X)
35621,2,4	Ball and roller bearings, not mounted	19.4	16.3	10.1	10.2	10.4	2.8	2	2	1	1	1	(Z)
3569	General industrial machinery, n.e.c.[5]	6.8	5.6	4.8	3.7	2.9	2.7	1	1	1	1	1	1
3571	Computing and related machines[6]	56.2	46.9	37.9	37.8	25.9	15.6	3	3	3	3	2	2
3572	Typewriters and parts	34.0	33.3	33.8	26.7	22.5	20.0	11	12	14	11	10	10
3579	Office machines, n.e.c.[7]	10.0	r6.0	r3.7	r4.1	3.6	2.3	(X)	(X)	(X)	(X)	(X)	(X)
3500	Miscellaneous machinery, n.e.c.[8]	35.4	r47.1	r55.3	r45.1	r45.1	r33.5	(X)	(X)	(X)	(X)	(X)	(X)

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1]Data for parts for internal combustion engines (code 35197) are included in Major Group 37. Imports include fire extinguishers (code 39991).

[2]Output includes home workshop metal-cutting machine tools in code 35418, and rebuilt tools in code 35419. Imports include these in the individual 5-digit lines 35411-9. Imports for each of the classes 35411-8 include parts for the years 1958 to 1961. Code 35413 also includes imports of parts for 1962 and 1963.

[3]Imports include rock drilling tips (part of code 3531) and special dies and punches (part of code 35441).

[4]Imports include shoe, tobacco, glass, plastics, and rubber machinery only.

[5]Imports represent mainly wrapping and packaging machinery (except for tobacco or candy) and centrifugal machines other than cream separators.

[6]Imports do not include miscellaneous types of machines, such as coin-handling machines, voting booths, etc.

[7]Imports are not completely comparable to output; represent mainly office dictating and recording machines.

[8]Imports cover products primarily in this major group but not comparable to output at more detailed levels.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	ELECTRICAL MACHINERY, EQUIPMENT, AND SUPPLIES												
36	Electrical machinery, equipment, and supplies, total	514.8	r482.1	r383.1	r317.1	r291.3	r200.6	(X)	(X)	(X)	(X)	(X)	(X)
3611	Electrical measuring instruments	16.0	16.3	7.7	9.4	(NA)	(NA)	2	2	1	1	(X)	(X)
3612	Power distribution and specialty transformers	4.9	4.5	6.6	6.5	6.4	7.7	1	1	1	1	1	1
3621	Motors and generators and parts	10.0	16.2	16.5	12.6	13.6	10.0	1	1	1	1	1	1
3623	Welding apparatus	1.0	1.0	1.2	1.0	(NA)	(NA)	(Z)	(Z)	(Z)	(Z)	(X)	(X)
3624	Carbon and graphite products	4.3	3.2	2.6	2.5	1.2	1.4	2	2	1	1	1	1
3631,4,9	Household equipment and appliances, n.e.c.	12.5	10.7	10.3	8.5	(NA)	(NA)	1	1	1	1	(X)	(X)
36342	Electric razors	7.1	7.7	8.6	7.3	(NA)	(NA)	13	14	13	13	(X)	(X)
3632	Household refrigerators and home and farm freezers	5.7	4.4	1.6	.9	(NA)	(NA)	1	1	(Z)	(Z)	(X)	(X)
3633	Household laundry equipment[1]	4.0	1.7	.8	.1	(NA)	(NA)	(X)	(X)	(X)	(X)	(X)	(X)
3635	Household vacuum cleaners and parts	2.1	1.6	1.3	.4	.1	.2	3	1	1	(Z)	(Z)	(Z)
3636	Sewing machines and parts	42.6	43.8	38.6	34.8	44.0	33.6	34	27	22	21	26	26
3641	Electric lamps (bulbs)	10.7	10.0	10.2	9.2	6.9	6.4	4	2	2	2	1	2
3642	Lighting fixtures	15.9	11.8	7.8	7.0	3.0	2.4	1	1	1	1	(Z)	(Z)
3651,3662, 3671-9	Radio, phonograph, and television apparatus and electronic equipment	275.6	252.5	188.8	138.3	78.3	30.7	2	3	2	2	1	1
3651	Radio and television receiving sets	184.5	173.4	142.6	104.5	(NA)	(NA)	8	8	8	6	(X)	(X)
36511	Household and automobile radios and radio-phonograph combinations	97.7	r102.7	r94.5	r76.3	(NA)	(NA)	15	17	18	16	(X)	(X)
36512	Household television receivers[2]	22.6	11.0	3.9	1.9	(NA)	(NA)	2	1	(Z)	(Z)	(X)	(X)
36513	Other audio equipment and accessories	64.2	r59.7	r44.2	r26.3	(NA)	(NA)	13	10	8	6	(X)	(X)

3662,3679, 3674	Other radio, television, etc.	63.0	52.7	28.4	20.8	(NA)	(NA)	1	1	(Z)	(Z)	(X)	(X)
3671-3	Electronic tubes, except X-ray[3]	28.1	[r]26.4	[r]17.8	[r]13.0	(NA)	(NA)	3	3	2	2	(X)	(X)
3652	Phonograph records	3.3	4.3	4.1	3.7	3.6	3.0	2	2	2	2	2	2
3661	Telephone and telegraph apparatus	16.4	13.2	13.3	11.0	7.8	4.0	1	1	1	1	1	(Z)
3691	Storage batteries	3.7	3.5	1.9	2.0	1.5	1.1	1	1	(Z)	(Z)	(Z)	(Z)
3692	Primary batteries	6.8	5.8	4.5	2.5	1.7	.7	3	3	3	2	1	1
3693	X-ray and therapeutic apparatus[4]	6.3	[r]4.9	[r]3.4	[r]2.9	[r]2.0	[r]1.9	5	2	4	3	2	3
3600	Miscellaneous electrical machinery[5]	73.0	[r]72.9	[r]61.9	[r]63.8	[r]121.2	[r]97.5	(X)	(X)	(X)	(X)	(X)	(X)
	TRANSPORTATION EQUIPMENT												
37	Transportation equipment, total[6]	747.7	[r]707.6	[r]575.9	[r][illegible]	[r]933.7	[r]659.9	(X)	(X)	(X)	(X)	(X)	(X)
3713,3717; 35197	Motor vehicles and equipment[7]	561.9	505.9	370.3	599.5	813.7	536.1	(X)	(X)	(X)	(X)	(X)	(X)
37171	Passenger cars	445.0	421.4	306.6	513.7	734.9	487.0	3	3	3	4	6	5
37172	Trucks	17.9	14.2	11.2	28.4	25.7	17.8	1	(Z)	(Z)	1	1	1
37173;3713	Motor coaches, fire department vehicles, truck and bus bodies	2.6	2.3	1.5	1.0	1.0	1.0	(Z)	(Z)	(Z)	(Z)	(Z)	1
37175-7; 35197	Motor vehicle parts and accessories, n.e.c.	96.4	68.0	51.0	56.4	52.1	30.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
37211-3	Aircraft, complete[8]	26.0	54.7	82.2	6.7	16.3	32.7	1	2	2	(Z)	(Z)	1
3722;3723; 37291	Aircraft parts, n.e.c.	68.0	74.7	67.6	55.5	51.8	45.9	2	1	1	1	1	1
37221,2,5	Aircraft engines[8]	4.2	10.5	16.3	8.9	7.5	6.0	(Z)	1	1	1	1	(Z)
37224,8; 37291;3723	Aircraft parts, n.e.c.[9]	63.8	64.2	51.3	46.6	44.3	39.9	2	2	1	1	1	1
37311,3; 3732	Ships and boats, nonmilitary	6.9	6.9	8.2	8.3	7.7	6.4	1	1	1	1	1	1
3751	Motorcycles, bicycles, and parts[10]	79.7	63.0	45.9	48.9	43.1	37.5	33	31	27	28	24	26
3700	Transportation equipment, n.e.c.[11]	5.2	2.4	1.7	1.6	1.1	1.3	(X)	(X)	(X)	(X)	(X)	(X)

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. not elsewhere classified. r Revised.
[1]Imports are not comparable to output; represent electric washing machines only.
[2]Imports include other miscellaneous television apparatus for years 1961 and 1962.
[3]Imports include television tube parts (part of code 36795).
[4]Imports include diagnostic apparatus (part of which may not belong in code 3693).
[5]Imports cover products primarily in this major group but not comparable to output at more detailed levels.
[6]Imports include internal combustion engine parts belonging in code 35197, and aircraft tires and tubes and bicycle tubes (part of code 3011); do not include combat vehicles (code 37174).
[7]Imports do not include combat vehicles (code 37174).
[8]Imports include new and used.
[9]Imports include aircraft tires and tubes (part of code 3011).
[10]Imports include bicycle tubes (part of code 3011).
[11]Imports cover products primarily in this major group but not comparable to output at more detailed levels.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	INSTRUMENTS AND RELATED PRODUCTS												
38	Instruments and related products, total	225.0	r218.7	r181.1	r175.1	r165.7	r132.2	(X)	(X)	(X)	(X)	(X)	(X)
3811; 38211-3,6	Scientific and mechanical measuring instruments (except motor vehicle)	20.6	18.2	15.2	13.3	10.9	8.4	1	1	1	1	1	(Z)
3831	Optical instruments and lenses[1]	29.9	26.5	24.9	24.7	23.6	19.2	10	13	13	14	14	14
3841	Surgical and medical instruments and apparatus	8.4	7.6	5.0	3.6	2.8	2.5	3	4	3	2	2	2
3851	Ophthalmic goods	14.4	11.0	8.5	7.1	6.1	4.0	6	5	5	4	3	2
3861	Photographic equipment and supplies[2]	76.0	78.4	59.5	54.9	(NA)	(NA)	5	5	4	4	(X)	(X)
38611	Still picture equipment[3]	27.7	r30.5	r25.8	26.2	23.5	[4]20.8	12	17	14	15	(X)	(X)
38612	Photocopying, microfilming, etc., equipment[5]	1.1	r1.3	r1.0	r.5	(NA)	(NA)	1	1	1	1	(X)	(X)
38613	Motion picture equipment[6]	12.3	11.5	7.5	5.6	4.6	3.2	9	8	5	4	3	2
38615	Photographic sensitized film and plate	24.4	23.6	16.6	15.0	13.6	10.1	4	4	3	3	3	2
	Sensitized photographic paper and cloth:												
38616	Silver halide[7]	10.0	11.0	8.3	7.0	6.5	4.0	5	6	5	4	4	3
38617	Except silver halide[7]	.4	.3	(Z)	.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
38618	Prepared photographic chemicals	.1	.2	.2	.2	.1	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3871	Watches and clocks	69.0	67.7	59.3	62.6	65.8	53.6	15	14	13	14	15	16
38711	Clocks[8]	7.5	6.0	6.3	6.2	5.9	5.0	4	3	3	4	4	4
38714,5	Watches and watch and clock parts[9]	61.5	61.7	53.0	56.5	59.9	48.6	(X)	(X)	(X)	(X)	(X)	(X)
3872	Watch cases	3.9	5.6	5.1	5.3	5.4	4.6	12	18	18	16	(X)	14
3800	Miscellaneous instruments and related products, n.e.c.[10]	[10]3.0	r3.6	r3.6	r3.6	r2.7	r1.7	(X)	(X)	(X)	(X)	(X)	(X)
	MISCELLANEOUS MANUFACTURES												
39	Miscellaneous manufactures, total	440.3	418.0	r350.9	r351.4	r333.6	r248.2	(X)	(X)	(X)	(X)	(X)	(X)
3911,2; 3961	Jewelry and jeweler's findings and materials	33.6	41.5	40.8	34.4	28.1	20.4	5	6	6	5	5	3

3913 pt.	Diamonds, cut or polished	107.2	103.4	91.5	91.6	105.4	83.0	64	68	65	67	67	67
3914	Silverware and plated ware	24.9	r23.4	r16.8	r23.2	r20.9	r17.7	11	10	7	10	9	9
39141	Silverware, platedware, and stainless steelware	8.5	10.9	9.9	10.1	10.0	8.4	9	11	10	11	11	10
39142	Flatware	16.4	r12.5	r6.9	r13.1	r10.9	r9.3	12	9	6	11	9	9
3931	Musical instruments[11]	21.0	r19.4	r18.0	r17.6	r19.4	r12.6	6	6	6	6	6	5
39311	Pianos	1.9	1.6	1.0	1.1	.7	.4	2	2	1	1	1	1
39312	Organs[12]	2.2	3.3	4.0	3.4	4.1	.9	2	3	4	(X)	4	1
39313	Piano and organ parts[12]	.7	.7	.7	.6	.5	.5	2	1	1	1	1	1
39314	Other musical instruments and parts	16.2	r13.8	r12.3	r12.5	r14.1	r10.8	17	18	18	18	21	18
3941	Games and toys, n.e.c.	43.4	41.4	34.1	34.7	32.1	25.7	5	6	5	6	5	5
3942	Dolls and stuffed toy animals	26.5	20.0	12.1	9.1	5.5	3.1	12	9	5	4	3	2
3949	Sporting and athletic goods, n.e.c.	39.8	34.7	29.1	26.8	25.1	15.4	6	5	4	4	4	3
39491	Fishing tackle and equipment	14.3	12.2	11.6	10.2	10.7	6.9	13	13	13	14	14	8
39492	Other sporting and athletic goods	25.5	22.5	17.5	16.6	14.4	8.5	5	4	3	3	3	2
3951	Pens and mechanical pencils	.6	.6	.6	.6	.6	.3	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
3952	Lead pencils and art goods	2.6	2.8	2.2	2.1	2.0	1.4	2	3	2	2	2	2
39521	Lead pencils and crayons	1.6	1.7	1.3	1.2	1.2	.8	2	2	2	2	2	1
39522	Artists' materials	1.0	1.0	.9	.8	.8	.6	3	4	3	3	3	2
3962	Feathers, plumes, and artificial flowers	43.9	r44.1	r38.8	r39.8	29.1	r20.5	43	45	40	40	32	26
3963	Buttons	6.3	6.5	5.0	4.8	4.7	3.8	7	8	6	6	5	5
3964	Needles and fasteners	9.2	9.2	7.8	7.1	6.7	5.3	3	3	3	3	2	2
39641	Zippers and slide fasteners	.2	.2	.2	.2	.4	.1	(Z)	(Z)	(Z)	(Z)	(Z)	(Z)
39642	Needles, pins, fasteners (except slide), and similar notions	9.0	9.0	7.6	6.9	6.3	5.3	3	5	5	5	(X)	5

Standard Notes: - Represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1] Includes some optical photographic equipment such as projectors and enlargers (part of codes 38611-3). Output of code 1941 is not included in determining percentages.
[2] Imports of some optical photographic equipment included in code 3831.
[3] Imports include some motion picture (part of code 38613) and copying (part of code 38612) equipment.
[4] Value of imports for 1958 and 1959 not comparable to later years.
[5] Imports include office copying machines only.
[6] Imports exclude aerial cameras and gun cameras.
[7] Imports represent paper only.
[8] Imports include clockwork mechanisms.
[9] Imports represent watches and watch movements; timekeeping, measuring, or indicating devices, or instruments; etc. Percentages not calculated because of substantial duplication in output.
[10] Imports cover products primarily in this major group but not comparable to output at more detailed levels.
[11] Include used and rebuilt instruments.
[12] Imports of parts of organs, other than pipe organs, included in code 39312.

Table 2B. Value of U.S. Imports and Percent of New Supply Imported, for 5-Digit (or Combinations of 5-Digit) SIC Commodity Groups: 1958 to 1963—Continued

Product code	Title	Imports for consumption (million dollars)						Percent, imports to new supply (output plus imports)					
		1963	1962	1961	1960	1959	1958	1963	1962	1961	1960	1959	1958
	MISCELLANEOUS MANUFACTURES—Continued												
3981	Brooms and brushes	5.7	5.1	4.0	3.7	3.2	2.5	2	2	2	2	1	1
39811	Brooms	.9	.9	.8	.7	.6	.5	2	3	2	2	(X)	1
39812,3	Brushes	4.8	4.2	3.2	3.0	2.6	2.0	2	2	2	2	1	1
3982	Hard surface floor covering	3.8	4.3	2.8	2.3	2.2	2.0	2	3	2	1	1	1
3983	Matches	1.2	1.0	1.0	.8	.8	.8	2	2	2	1	1	1
3984	Candles	1.9	1.8	1.3	1.3	.9	.6	4	5	3	4	3	2

3992	Furs, dressed or dyed	8.6	8.3	5.3	6.7	4.8	1.4	(X)	(X)	(X)	(X)	(X)	(X)
3995	Umbrellas, parasols, and canes	4.5	5.7	3.6	3.9	4.4	3.6	12	14	8	10	(X)	9
3900	Miscellaneous manufactured products, n.e.c.[1]	55.6	r44.6	r36.1	r40.9	r37.7	28.1	(X)	(X)	(X)	(X)	(X)	(X)
	ORDNANCE												
19	Ordnance, total	19.2	17.9	14.5	15.1	14.0	9.4	(X)	(X)	(X)	(X)	(X)	(X)
19251;1961; 19291,2; 37292	Ammunition, including guided missiles and components, n.e.c.	4.0	3.5	3.3	2.1	1.6	.9	(X)	(X)	(X)	(X)	(X)	(X)
1951	Small arms, 30mm and under	15.2	14.4	11.2	13.0	12.4	8.5	9	8	7	11	(X)	9
	MANUFACTURED COMMODITIES, UNCLASSIFIED												
3X	Manufactured commodities, unclassified[2]	214.9	176.2	172.8	165.7	150.9	120.0	(X)	(X)	(X)	(X)	(X)	(X)

Standard Notes: - represents zero. X Not applicable. Z Less than $0.05 million or 0.5 percent. NA Not available. n.e.c. Not elsewhere classified. r Revised.

[1] Imports represent products primarily in this major group but not comparable to output at more detailed levels.

[2] Imports primarily represent manufactured commodities not assignable to a single 2-digit major group; they include imports under $100 and on informal entries, under $250.

64-887 O - 68 - 6

Table 4B. Value of Leading 4-Digit (or Combination of 4-Digit) SIC Commodity Group Imports in Relation to New Supply: 1963 and 1962

(For commodity group imports valued over $10 million and accounting for 10 percent or more of new supply in 1963 or 1962)

SIC code	SIC commodity group	Imports for consumption (million dollars)		Percent imports to new supply	
		1963	1962	1963	1962
	AGRICULTURAL COMMODITIES[1]				
0119 pt.	Field crop fibers (mainly sisal and abaca)	32.4	28.7	100	100
0122 pt.	Fresh fruit and tree nuts:				
	Bananas and plantains	83.1	78.6	100	100
	Edible nuts	51.4	46.5	26	32
	Copra, kola, and coir	39.5	47.3	100	100
0139 pt.	Carpet wools	65.8	48.9	100	100
0193 pt.	Animal specialties:				
	Silk	27.2	26.8	100	100
	Persian lamb and caracul furs, undressed	18.6	16.8	100	100
0199 pt.	Farm products, n.e.c:				
	Spices, raw coffee, cocoa beans, tea, etc	1,185.7	1,217.3	100	100
	FORESTRY COMMODITIES				
0840	Gum and barks (complementary)	22.8	22.7	100	100
0861	Forest products, n.e.c	209.3	240.1	(NA)	(NA)
	Crude rubber and allied gum	201.3	232.1	100	100
	FISHERIES COMMODITIES				
0912, 2036 pt.	Fin fish	142.3	154.8	40	40
0913, 2036 pt.	Shellfish	163.5	155.0	50	49

SIC code	SIC commodity group	Imports for consumption (million dollars)		Percent imports to new supply	
		1963	1962	1963	1962
	MANUFACTURING COMMODITIES				
2031	Canned and cured seafood	85.5	87.8	18	18
2061,2,3	Sugar and byproducts[7]	655.2	540.4	23	23
2084	Wines and brandy[7]	68.5	65.5	16	16
2085	Distilled, rectified, blended liquors (except brandy)[8]	248.4	234.3	21	23
2093	Vegetable oil mill products, n.e.c.[9]	78.2	67.8	29	26
22313,4,9	Wool broadwoven fabrics and blankets	80.0	75.9	11	10
2279	Carpets, rugs, and mats, except woven and tufted	16.7	17.0	25	28
2297	Scouring and combing mill products	107.1	90.7	50	51
2298	Cordage and twine	53.8	45.3	28	23
2299	Textile goods, n.e.c. (mainly jute bagging, burlaps, etc.)	217.1	180.8	57	58
2381,2259	Gloves, fabric	20.9	24.0	11	12
2421,2426	Sawmill products and hardwood dimension and flooring	362.1	336.9	10	10
2429	Special sawmill products, n.e.c.[10]	39.7	31.7	18	20
2432	Veneer and plywood	146.1	132.2	10	10
2611	Pulp mill products[2]	329.6	332.6	31	34
2621 pt.	Paper mill products[11]	720.6	729.5	18	19
3021	Rubber footwear[12]	47.6	52.3	12	14
3151	Leather gloves[13]	25.4	25.3	29	36
3253	Ceramic wall and floor tile	23.4	19.4	16	11
3262	Vitreous china table and kitchenware	20.8	24.8	31	34
3263	Fine earthenware table and kitchen utensils	14.8	13.6	20	21

	MINERALS COMMODITIES				
1011	Iron ores and concentrates[2] [3]	323.2	324.7	32	34
1031	Lead and zinc ores	55.1	61.7	24	28
1051	Bauxite	118.3	124.9	37	89
1062	Manganese ores and concentrates	67.6	66.2	34	94
1069	Ferroalloy ores and concentrates (mainly chromium)[4]	26.2	30.8	23	31
1093	Titanium ores	10.0	7.1	36	32
1094	Uranium ores	190.0	252.3	61	65
1311	Crude petroleum and natural gas	1,123.2	1,099.0	10	10
1473	Fluorspar	14.1	15.6	66	63
1474	Potash, soda and borate minerals[5]	41.6	33.1	17	16
1477	Sulfur (including elemental)	23.9	20.6	19	16
1492	Gypsum	10.9	10.5	22	22
1497	Natural abrasives, except sand	50.2	51.4	(X)	97
1498	Peat	12.4	12.9	69	71
1499	Nonmetallic minerals, n.e.c.	198.9	173.3	([6])	([6])
3264,9	Porcelain electrical supplies, and other pottery products, n.e.c.	27.8	21.7	12	10
3331, 33412, 33512	Copper smelting and refining products; rolled, drawn and extruded products	291.1	279.4	([14])	([14])
3332,33413	Refined lead[15]	44.3	47.9	14	16
3333,33414	Refined zinc[15]	28.8	28.7	10	11
3334, 33417,8 33527,8	Aluminum and aluminum base alloys	163.2	128.6	10	9
3339, 33415,6	Nonferrous smelting and refining products, n.e.c.[16]	340.0	336.2	44	39
3572	Typewriters and parts[2]	34.0	33.3	11	12
3636	Sewing machines and parts[2]	42.6	43.8	34	27
3751	Motorcycles, bicycles, and parts	79.7	63.0	33	31
3831	Optical instruments and lenses	29.9	26.5	10	13
3871	Watches and clocks[17]	69.0	67.7	15	14
3913 pt.	Diamonds, cut or polished[18]	107.2	103.4	64	68
3914	Silverware and plated ware	24.9	23.4	11	10
3942	Dolls and stuffed animals	26.5	20.0	12	9
3962	Feathers and plumes and artificial flowers	43.9	44.1	43	45

Standard Notes: NA Not available. n.e.c. Not elsewhere classified. X Not applicable.

[1]Commodities shown are mainly complementary (see table 1A) and represent part of 4-digit SIC commodity classifications.

[2]A substantial volume of this commodity group is also exported (see table 4A).

[3]Data include maganiferous iron ore (manganese content less than 10 percent).

[4]Percentages based on output of chromium and molybdenum ores only.

[5]Imports do not include refined anhydrous sulfate and salt cake (crude) technical. (See code 28197).

[6]Output data not available; percentage in 1958 was 81.

[7]Percentages are based on output which contains substantial duplication.

[8]Imports do not include distillers' dried grains and dried solubles; percentages are based on code 20853 only.

[9]Imports represent mainly coconut, tung, oticica, and castor oils.

[10]Imports consist mainly of red cedar shingles and shakes; they do not include excelsior or cooperage headings.

[11]Imports do not include code 26213.

[12]Imports probably include significant amounts of plastic footwear.

[13]Output represents all-leather gloves' imports represent gloves in chief value of leather.

[14]Percentages are not calculated because of duplication involved in combined output figures; minimum percentage, 20.

[15]Percentages do not reflect significant amount of toll production.

[16]Imports represent mainly platinum metals and tin.

[17]Percentages based on new supply which contains significant amount of duplication (value of imported movements included in output data).

[18]Imports represent mainly cut diamonds.

Major U.S. industries for which imports accounted for 15 percent or more of new supply in 1963 [1]

Industry	Imports, 1963	
	Value, millions of dollars	Percent of new supply
Agriculture: Farm products, not elsewhere classified (spices, coffee, cocoa, tea)	1,186	100
Fisheries:		
Fin fish	142	40
Shellfish	164	50
Mining:		
Iron ores and concentrates	323	32
Lead and zinc ores	55	24
Bauxite and aluminum ores	118	87
Manganese ores and concentrates	68	94
Tungsten ores and concentrates	2	18
Mercury ores and metallic mercury	7	65
Titanium ores	10	36
Uranium ores	190	61
Fluorspar	14	66
Potash soda and borate minerals	42	17
Sulfur	24	19
Gypsum	11	22
Mica scrap and sheet; ground mica	2	18
Natural abrasives, except sand	12	[1] 97
Peat	12	69
Manufacturing:		
Canned and cured seafood	86	18
Sugar and byproducts	655	23
Wines and brandy	69	16
Distilled, rectified, blended liquors	248	21
Vegetable oil mill products, not elsewhere classified (coconut, tung, oiticica, and castor oils)	78	29
Carpets, rugs, and mats, except woven and tufted	17	25
Scouring and combing mill products (wool)	107	50
Cordage and twine	54	28
Shingles, cooperage, and excelsior	40	18
Pulpmill products	330	31
Papermill products	721	18
Leather gloves	25	29
Ceramic wall and floor tile	23	16
Vitreous china table and kitchenware	21	31
Fine earthenware table and kitchenware articles	15	20
Steel nails and spikes	42	22
Copper smelting and refining products	291	(2)
Nonferrous smelting and refining, not elsewhere classified (Nickel, platinum, tin, magnesium, etc.)	340	44
Sewing machines and parts (chiefly household types)	43	34
Motorcycles, bicycles, and parts	80	33
Watches and clocks	69	15
Diamonds, cut or polished	107	64
Feathers, plumes, and artificial flowers	44	43

[1] Percentage of new supply imported in 1962.
[2] Includes substantial amounts for processing and reexport. Percentage has not been calculated, but is estimated at a minimum of 20 percent.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. Unless the witness wishes to make some comments on the new guidelines published by the HEW, with which I violently disagree, or on the Surveyor spacecraft landing on the moon which I heartily applaud, I have no questions.

Mr. TROWBRIDGE. Thank you, Senator.

Senator DOUGLAS. Mr. Trowbridge, I notice in the statistical tables which you submitted for 1958 to 1965, the average annual increase had been approximately four-tenths of 1 percent. Is that correct?

Mr. TROWBRIDGE. Is this table No. 1?

Senator DOUGLAS. No, it is way over. I have lost it for the moment, but your expert can identify it. It is on table 13. (See p. 31.)

Mr. TROWBRIDGE. These are the annual percentage changes in prices.

Senator DOUGLAS. That is right, steel mill products, four-tenths of 1 percent.

Mr. TROWBRIDGE. Yes, sir.

Senator DOUGLAS. Now, the increase in prices in European countries in general, of course, has been much greater than in the United States. Do you have a table on the increase in prices of steel abroad? Perhaps table 16.

Mr. TROWBRIDGE. Table 16, wholesale price of basic steelmaking materials—I am sorry. Steel prices, United States and selected foreign countries. There are indicators there.

Senator DOUGLAS. For Belgium, it shows an increase of a little less than 2 percent, France an increase of 10 percent, Germany an increase of 2 percent, Japan a decrease of about 15 percent, and United Kingdom, a slight increase.

In other words, any difficulty that we have suffered has not been because of appreciable increases in our prices, but because of decreases in the prices of European steel and Japanese steel; is that correct?

Mr. TROWBRIDGE. I think this set of figures indicates that.

Senator DOUGLAS. Now, what have been the technological changes which have caused this?

Were there new processes, the so-called carbon process and continuous casting?

Were those the processes which——

Mr. TROWBRIDGE. Senator, I am sure there will be some witnesses here from the steel industry who will be better prepared to comment on that.

Senator DOUGLAS. Do you not have a steel expert with you? I thought you would come with a steel expert.

Mr. TROWBRIDGE. Mr. Peterson may have some comments on it.

Mr. PETERSON. Mr. Senator, generally speaking, the trend in prices in the world market has been downward since 1957.

Senator DOUGLAS. But the figures which we have given indicate that that has been true of Japan and one or two other countries, but in general, their increase has been relatively slight.

Look at table 16 if you would, your own table.

Mr. PETERSON. Well, some of the reasons for the ability of the foreign countries to sell at a lower price is that they have a lower labor cost per unit of output, and also——

Senator DOUGLAS. But that presumably existed before.

Now, what happened to labor costs per ton of steel from 1960 to 1964?

Mr. PETERSON. I am not sure of the trend in the foreign labor costs.

Senator DOUGLAS. No, no, in the United States.

Mr. PETERSON. In the United States, there are indications that the trend has been downward.

Senator DOUGLAS. Well, the U.S. Bureau of Labor Statistics published a study, did it not, indicating that labor cost per unit of output had either been constant or decreased. Is that not true?

Mr. PETERSON. Yes, sir.

Senator DOUGLAS. I do not know that those figures have been challenged.

Now, what we do find is, as I have said, quite a large increase in France, a slight increase in Belgium, a slight increase in Germany, a decrease in Japan, a very slight increase in the United Kingdom. The trouble seems to come chiefly from Japan. Is that correct?

Mr. PETERSON. Yes, sir.

Mr. TROWBRIDGE. Senator, could I just point out that this table may be a difficult series of things to compare.

As you note in the footnotes down below, the indixes applied to, say, Japan are taken from the export price of milled steel plates, one-eighth of an inch by 4 by 8.

This is one particular product on which we have information.

Senator DOUGLAS. Well, these are your tables, not mine: I am working with what I have.

Mr. TROWBRIDGE. Yes, sir.

Senator DOUGLAS. And it is true, is it not, that labor cost per unit of output up to 1964 in steel did not increase? This is, the increase in output per man-hour was approximately equal to the increase in earnings per hour. Is that not true?

Does anyone from the steel industry deny this? Is Mr. Weiss of the Labor Department here?

Mr. Weiss, would you come forward, please.

STATEMENT OF HARRY WEISS, DEPUTY ASSISTANT SECRETARY OF LABOR

Mr. WEISS. Mr. Senator, I will cover that in my statement.

Senator DOUGLAS. But I have limited time. Will you please come forward and testify, please, instead of postponing this to the future?

Mr. Weiss, you are an expert on labor productivity, are you not?

Mr. WEISS. I would not classify myself as an expert.

Senator DOUGLAS. I would classify you as an expert, because I have read your reports over many years and have admired them.

Now, you know about the productivity studies and wage studies in steel?

Mr. WEISS. Our figures show that productivity has increased somewhat more rapidly than wage cost in the last few years and that unit labor costs have gone down about 1.6 per year since——

Senator DOUGLAS. Labor cost per unit of output in steel has gone down about 1.6 percent a year?

Mr. WEISS. Since 1961.

Senator DOUGLAS. Where does your study stop?

Mr. WEISS. 1965.

Senator DOUGLAS. Now, it is true, is it not, that labor cost per unit of output rose from the early fifties to 1960?

Mr. WEISS. I think so, but I would have to check those figures, Senator.

Senator DOUGLAS. As I remember your studies and those of others, that is true.

Mr. WEISS. Yes. We have the figures in the Commerce presentation here.

From 1957 to 1961, employment cost per unit of output increased by 4.7 percent, average annual percentage.

Senator DOUGLAS. Did that include salaried workers or wage workers or what?

Mr. WEISS. All employees.

Senator DOUGLAS. Well, is it not true that for manufacturing as a whole, salaries have increased much more rapidly than wages and that therefore, employee costs have moved forward more rapidly than wage costs, direct labor costs per unit of output?

Mr. WEISS. I am not sure of the answer to that, Senator.

Senator DOUGLAS. Well, I ask you in 10 days to reply to my query, and I will bet you a dollar that——

Mr. WEISS. I am afraid to bet with you, Senator.

Senator DOUGLAS (continuing). That my question is correct and that your incertitude will be translated into certitude.

(The information referred to follows:)

There was an increase in total salary payments by comparison with total wage payments in manufacturing in the United States between 1957 and 1961. Total labor costs per unit increased more than wage costs per unit. This was due primarily to an increase in the number of salaried workers and a decline in the number of production workers in manufacturing. The figures for 1961 as a percentage of 1957 are as follows:

	Production workers	Salaried workers
Total payments	102.0	122.4
Employment	91.6	106.5
Average earnings per week	111.4	114.9

In the period since 1961, these differential trends have been arrested.

Senator ANDERSON. You qualify as an expert.

Senator DOUGLAS. I qualify as a greater expert.

All over manufacturing, the salary bill has gone up more rapidly than the wage bill.

Mr. Bernstein, you come forward.

I have just made a statement that in my judgment, salary costs have increased more rapidly than wage costs and therefore a figure on employee costs per unit of output would tend to rise more rapidly than a figure purely confined to wage costs per unit of output.

I know you are as much of an expert as Mr. Weiss.

STATEMENT OF MEYER BERNSTEIN, UNITED STEELWORKERS OF AMERICA

Mr. BERNSTEIN. It depends on how you define salary costs. We have, of course, collective-bargaining agreements with salary workers in a large part of the industry. For those, the increase is relatively equal.

Senator DOUGLAS. But I mean the non——

Mr. BERNSTEIN. Nonbargaining unit?

Senator DOUGLAS. Yes.

Mr. BERNSTEIN. We would be glad to exchange the wage benefits we get for those that go into the nonbargaining units.

Senator DOUGLAS. That is a diplomatic answer.

Does that mean that in your judgment, the salary increases for those not covered by collective bargaining have exceeded wage increases for those covered by collective bargaining?

Mr. BERNSTEIN. To the extent that they are known, yes.

We do not, of course, have all of this information.

Senator DOUGLAS. They would report in the Census of Manufacturing on total salaries as well as on total wages?

Mr. BERNSTEIN. Yes.

Senator DOUGLAS. Have you not studied those figures?

Mr. BERNSTEIN. Yes.

Senator DOUGLAS. What do they show?

Mr. BERNSTEIN. They show that, too.

Senator DOUGLAS. There?

Mr. BERNSTEIN. But that is general.

Senator DOUGLAS. That is all I wanted.

Mr. BERNSTEIN. All right.

Senator DOUGLAS. Total salaries have increased more rapidly than total wages percentagewise?

Mr. BERNSTEIN. Yes.

Senator DOUGLAS. Therefore, a figure on employee cost per unit of output will go up more rapidly than a figure on wage cost per unit of output?

Mr. BERNSTEIN. Yes, very definitely.

Senator DOUGLAS. Do you agree with this, Mr. Weiss?

Mr. WEISS. I have some figures here which will show that. What I have here is index of unit costs in manufacturing.

Senator DOUGLAS. In steel?

Mr. WEISS. For—no, this is manufacturing.

Senator DOUGLAS. Well, we are talking about steel.

Mr. WEISS. This is manufacturing altogether. I do not have it for steel.

Senator DOUGLAS. Now, may I ask, this is a problem—why have the imports gone up when our unit labor costs have gone down?

Has it been padding of salaries? Has it been the lowering of costs in Japan? What is the reason?

I noticed in your earlier statement that Japan provided about 46 percent of the imports. Is that right?

STATEMENT OF ALEXANDER B. TROWBRIDGE AND OTHERS—Resumed

Mr. TROWBRIDGE. Forty-three, I believe, is the figure, Senator. Approximately 43 percent of Japan's exports were to the United States.

Senator DOUGLAS. But what percentage of the imports of steel came from Japan?

Mr. TROWBRIDGE. Table 7 shows Japan at 42.6 percent in 1965 of the total imports into the United States.

Senator DOUGLAS. Now, has the increase in imports from Japan been due to their speedy adoption of the oxygen process and continuous casting as compared with the United States or to a lower wage scale?

Mr. TROWBRIDGE. If I understand the situation correctly, Senator, the Japanese have introduced very large technological innovations into their steel industry in the postwar period, when they built it up practically from zero, and certainly their wage levels have historically been considerably less than ours. But the oxygen process, I am not sure.

Senator DOUGLAS. I have now reached table 7.

In 1950, the Japanese furnished only 2.7 percent of imports of steel. Now they furnish 42.6 percent. The increase has been confined almost entirely from Japan. In other words, we have identified the source of the increase. Is that not true?

Mr. TROWBRIDGE. It is the country with certainly the largest increase of all listed here.

Senator DOUGLAS. Belgium-Luxembourg has gone down from around 42 percent to 17 percent, France from 15 to 8, West Germany, 16.4 to 11. These are in terms of percentages of an increased total, of course.

Mr. TROWBRIDGE. Yes, sir.

Senator DOUGLAS. But it would look to me as though at least 2.5 million tons of the increase had come from Japan.

Now, their steel industry was destroyed during the war, was it not?

Mr. TROWBRIDGE. Very largely.

Senator DOUGLAS. And when they rebuilt, they rebuilt with the most modern methods of oxygen processing, continuous casting, whereas we have found to shift to new processes is much more expensive and much more difficult, and therefore, less pervasive. Is that true?

Mr. TROWBRIDGE. That is true, Senator.

Mr. BERNSTEIN. I would dispute that. First of all, the Japanese have vastly increased their steel industry——

Senator DOUGLAS. They have increased it with the most modern methods?

Mr. BERNSTEIN. Yes, but there are other problems that they have had to face.

Senator DOUGLAS. But this has been one very large factor?

Mr. BERNSTEIN. Yes.

Senator DOUGLAS. Where did these modern methods start? In the Goering works in Austria?

Mr. BERNSTEIN. No, they are using the LD, the basic oxygen system. That was invented in Austria.

Senator DOUGLAS. Was it not the Goering?

Mr. BERNSTEIN. It was the Linz-Donowitz, the Vereinigte Oesterreichische Stahl Aktiengesellschaft. This is a state-owned company. It formerly was the Hermann Goering Werke in Linz, set up by the Nazi government.

Senator DOUGLAS. How big a plant was it?

Mr. BERNSTEIN. About 2 million tons. It is small.

Senator DOUGLAS. A small plant developed the most modern processes.

Mr. BERNSTEIN. But they invented the process which the United States did not pick up until 1955 or so and then only reluctantly. Only one company started it. It was not until about 196——

Senator DOUGLAS. Which company was that?

Mr. BERNSTEIN. The McLouth Steel Co. up in Detroit. Now we have more than Japan.

Senator DOUGLAS. In total?

Mr. BERNSTEIN. In basic oxygen. We are producing basic oxygen steel at the rate of 25 million tons this year.

Senator DOUGLAS. What about continuous casting?

Mr. BERNSTEIN. That is very small every place except in Russia. Russia has made the greatest advance in continuous casting. But even this advance is small, very small, in proportion to the total amount of steel. Continuous casting does not yet amount to any saving significantly.

Senator DOUGLAS. Well, as to the basic oxygen process——

Mr. BERNSTEIN. We have several other systems where we have made much more advance technologically than any other countries. There are four basic parts of the steel revolution. Of these four, we are way ahead in three.

Senator DOUGLAS. What are the other two?

Mr. BERNSTEIN. The first is pelletization. We are far ahead of all the rest of the world combined in pellets. This has a dual advantage. It permits you to use a low-grade iron in such a way that you increase the efficacy of the most expensive part of the steelmaking process; namely, the blast furnace. It has a double advantage and it is very helpful to us and we are way ahead of the rest of the world on that, far ahead.

The second system is basic oxygen. We were slow starting there, but we are now ahead of the rest of the world and making more progress than the rest of the world on this.

The third system is computerization. Again, we are ahead of the rest of the world, far ahead of the rest of the world.

The Spencer plant in Great Britain is computerized to a greater extent than most of our plants, but in general, we are far ahead of any other country.

Then the fourth system is continuous casting. We started experiments with continuous castings. I saw them in Beaver Falls in 1947, when Babcock & Wilcox and Republic Steel were jointly carrying out an experiment. But it never got to anything until a few years ago. Now continuous casting is in use in a few plants in the United States—Roanoke Steel, a very small plant near here, has it. But it is being introduced on a very large scale and it will be maybe some months or a year before it amounts to anything significant.

In Germany, two plants have it, but there, too, it is only small. I have seen them there. It is a small part of the total production. So it is not significant yet, but it will be, because it eliminates four or five processes in steelmaking and will bring about enormous savings in time.

Senator DOUGLAS. Then if we are ahead in three, why is it that the Japanese have been sending more steel in?

Mr. BERNSTEIN. The Japanese have been selling more steel, in my judgment, because first, they had this boom in steel. They expanded from 7 million tons prewar to about 40 million tons now.

Senator DOUGLAS. With modern machinery?

Mr. BERNSTEIN. But they do not use it efficiently, as efficiently as we do. The best study that I know on comparative efficiency is made by the European Coal and Steel Community and they show that the Community countries are about three-quarters of our efficiency—the productivity of their people is about three-quarters of ours.

Senator DOUGLAS. How do you reckon productivity—per dollar or——

Mr. BERNSTEIN. Per ton. Labor cost per ton. Man-hours per ton.

Senator DOUGLAS. Man-hours, not in terms of wages?

Mr. BERNSTEIN. No; we are talking about man-hours. The Japanese are only 50 percent as productive as we are.

Senator DOUGLAS. But the wage scale is——

Mr. BERNSTEIN. You see, the point is that in the United States, the labor is used much more efficiently in the steel industry I am talking about, and you do not have people standing around doing nothing; whereas in other countries, labor is not used as efficiently as it is in the United States. So although they have modern equipment in many instances, as in Japan—they have almost as much basic oxygen as we have—they do not use it as efficiently as we do. They have more people than we do. So their advantage in modern equipment is not reflected in anywhere near the same degree in productivity.

Senator DOUGLAS. Mr. Trowbridge, are you acquainted with the studies which the subcommittee which I have been heading, has been conducting on ocean shipping rates?

Mr. TROWBRIDGE. Yes, sir.

Senator DOUGLAS. Is it not true that these studies have indicated that rates on American exports, both to Europe and Japan, are much higher than rates on imports into the United States between the same ports on the same ships?

Mr. TROWBRIDGE. Yes, sir.

Senator DOUGLAS. And that this is true of steel?

Mr. TROWBRIDGE. I understand this does apply to steel.

Senator DOUGLAS. I have been trying to get the steel industry, Mr. Chairman, interested in this for several years, to try to get it to stage a drive to help us lower the export shipping rates and, if necessary, raise the import shipping rates. And I think this would produce a very appreciable change in the trade in steel in our favor.

For any members of the steel industry here, I make my plea in public that they really join us. To date the response has been something less than enthusiastic. But this is a tremendous impediment, a 30- or 40-percent differential against our exports. The American shipping lines are locked into the international conferences or cartels controlled by the Europeans and the Japanese and they charge us higher rates, our exports higher rates, than they charge to the exporters from Japan and the importers into the United States.

In my judgment, there are hundreds of millions, possibly billions of dollars being lost in this fashion. I cannot get the industries of the country, except for a few independents, to take much interest in this.

Mr. TROWBRIDGE. Senator, I do not know whether you have seen a recent pamphlet which was produced by the Maritime Commission, Maritime Administration in the Department of Commerce, which attempts to inform the shipper how he can go and try to negotiate a better rate base for his product.

Senator DOUGLAS. Yes, I have seen that. But I am also in favor of going after the cartels, to turn loose the poor shipper. I imagine there must be representatives of the steel industry here. I will make my plea to them.

Please help us in getting lower export rates and/or higher import rates. It is gross discrimination and we have been fought every inch of the way by the shipping industry, I am sorry to say, including American ships and shipping lines.

Mr. Chairman, that is all I have.

Senator HARTKE (presiding). Senator Bennett, did you have some questions?

Senator BENNETT. No.

Senator DOUGLAS. Thank you, gentlemen.

Senator BENNETT. I would just like to make one comment.

Mr. Bernstein, you made the interesting comment that the Japanese do not use their labor as efficiently as we. Is this not really a part of their national overall labor policy, that they are going to have high employment and they are going to employ people to do things that we would not employ them to do in order that they may have high employment?

Mr. BERNSTEIN. Yes, this is typical not only of Japan but of most other countries. But it is more widespread in Japan.

For example, in the Japanese industry, you get a job for life. A permanent employee is hired and remains on the job until he turns 55 years of age. During that time, no matter what happens to the business cycle, no matter how long the industry goes, he remains on the job. He remains working.

Then, too, the Japanese employer provides all kinds of benefits for him to keep him there, from housing to vacation resorts, to hospitalization, to consumer cooperatives, all of these things which make the Japanese worker a part of his industry, and he stays there.

In addition to that, you have, of course, these twice-a-year wage drives; that is, in addition to the basic wage, they get all these other benefits that come at various times during the year.

Now, the Japanese Steel Workers Union is a very strong organization. It has been able to achieve quite a few benefits recently and a revolution, I think, is taking place in Japanese industry. Not only is it becoming larger than it ever was before, but it is becoming more democratic and I might say parenthetically, that with this strengthening of the democratic tendencies of the unions, there was also a weakening of the Communist influence. So that the unions now are functioning more and more like American unions.

Now, I might say that we had a point 4 program—you might call it that—to help them. We have a very strong cooperative arrangement with the Japanese unions, especially in the steel industry.

Senator BENNETT. Well, I appreciate this addition to the record, because I have had the impression that this was a matter of definite Government policy, to see to it that as many people as possible were employed in each industry. In every Japanese department store, there is a girl at every door to open it for you. When you go to get on the elevator, there is a girl at every elevator on every floor to see that you get on and off safely.

Mr. BERNSTEIN. I have visited every major Japanese steel plant. I have been in Japan several times. I am just amazed by the number of people they have doing jobs which we in the United States would do by a far, far smaller number.

Senator BENNETT. Thank you very much.

Senator HARTKE. Mr. Trowbridge, what I want to come back to, and just so you know that I am not leading you into any traps, is it not true that steel imports in 1965 accounted for 68 percent of the deficit in our balance of payments?

Mr. TROWBRIDGE. Senator, I think you are comparing the trade balance in steel of $669, I believe it is——

Senator HARTKE. No, 1965; we are not in 1969 yet.

Mr. TROWBRIDGE. No, $669 million with the total balance-of-payments deficit of 2.3 billion.

Senator HARTKE. Well, is that fair?

Mr. TROWBRIDGE. No, sir; I think that to say that one part of the trade balance can be across the line compared to the total balance of payments is just—sure, you have to recognize it as one part and you can say that there is a percentage relationship, but that to say that the whole balance-of-payments deficit was due to one part of the trade balance I do not think is a conclusion that you can reach.

Senator HARTKE. I did not say it was the cause of it. I said very simply this: When you come in to make up your balance-of-payments proposition and make your balance-of-payments decision as to whether it is in a deficit or a surplus position, one of the items in this is the balance of trade; is it not?

Mr. TROWBRIDGE. Surely.

Senator HARTKE. And whenever you come before us at other times, you keep on pointing out that we have a balance-of-trade surplus which last year, 1965, was a little over $4.4 billion.

Mr. TROWBRIDGE. 4.8; yes, sir.

Senator HARTKE. $4.8 billion, all right. And you say at that time also that if it were not for that 4.8 surplus in balance of trade, our other deficit in the balance of payments would be increased by $4.8 billion exactly. Not $4.9 billion, not $4.7 billion, but $4.8 billion. Is that not fair?

Mr. TROWBRIDGE. That is right.

Senator HARTKE. What is wrong, then—all I said was simply this: If you take the total deficit in the balance of trade in steel and compare it to the total deficit in balance of payments, it accounts for 68 percent of the deficit in dollars.

Mr. TROWBRIDGE. $700 million is 60-something percent of 1.3.

Senator HARTKE. Now, if that is true, and if the balance-of-payments problem is sufficient to cause us to go into hysterics in regard to these so-called voluntary programs, to the possibilities of tax increase, to restrain the domestic economy, with all of the ramifications in causing the problem we have with tight money and higher interest rates and the threat of a run on the savings and loan institutions—if this balance-of-payments item is that big, do you not think it is a major concern, when 68 percent of the deficit is accounted for in one industry, that this is not sufficient for you to pass more than just a fleeting glance at such a proposition?

Mr. TROWBRIDGE. Senator, we are not passing a fleeting glance at any part of this problem and we certainly do not want to give the impression that my statement here relegates to a minor position the problem of steel imports. We are trying to point out that a study of the steel import situation would involve many, many factors and we have tried to list them here.

Senator HARTKE. Is there something wrong with people studying many factors in this world today?

Mr. TROWBRIDGE. No, sir; there is not. But I believe you would have to make a very searching and long study and the availability of some of the data that would be required in terms of price and cost information on the foreign steel industry would be, if we could not get it, the study would not be totally conclusive.

Senator HARTKE. So what you say is because you think that the study would be long, that it would be comprehensive and difficult, it is better not to try it at all?

Mr. TROWBRIDGE. I am merely saying, Senator, that there are parts of the information which we think would be necessary that would be almost impossible to get, or very, very difficult to get; that is, cost and price information in the foreign steel industry, for example.

Senator HARTKE. Let me ask you then, do you think that when one industry accounts for an amount which is 68 percent of a major international problem of the United States, because of the difficulty in obtaining these figures and because of your predisposition to failure, that we should go ahead and just ignore the whole problem and hope it goes away?

Mr. TROWBRIDGE. No, sir; I am not predisposed to failure and I am not trying to ignore anything and I am not quite in agreement with you that you can take one part of the trade picture and say that it, as a single factor, is totally the reason behind the balance-of-payments problem.

Senate HARTKE. All right, let us just clear up that point so there is no misunderstanding about where we are going.

You tell me how you can proceed to take up the total in the balance of trade without going industry by industry, dollar by dollar, item for item.

Mr. TROWBRIDGE. Well, of course you do. The total balance of trade factors is the exports and imports of every industry.

Senator HARTKE. Of individual items?

Mr. TROWBRIDGE. Right.

Senator HARTKE. And the major portion of this deficit at the moment, amounting to 68 percent of this deficit, is in this industry and you say, therefore, we should ignore it?

Mr. TROWBRIDGE. Senator, I will take your arithmetic, but I am not sure I would draw the same conclusion.

Senator HARTKE. You draw any conclusions you want to. My conclusion is that you are drawing the conclusion that you are afraid of work or afraid of the result or have a predisposition to failure.

Mr. TROWBRIDGE. I would not agree with you on that, Senator.

Senator HARTKE. I am not asking you to. I just want you to know why I am concerned about this item.

Is it not true in these discussions to which you referred a few moments ago that one of the No. 1 items of concern by the so-called Western bloc of nations is the continual and persistent balance-of-payments deficit of the United States?

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. This is stated by the so-called central bankers of Europe to be the one place in which the United States has to "straighten out its own economy first."

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. And until this is done, we cannot even proceed in this vital field of international monetary reform. We cannot even begin to have real, meaningful discussions in that field. Is that not true?

Mr. TROWBRIDGE. Those discussions are going on. How much they are going to accomplish in the immediate future, I do not know, sir. I have not been involved in them. But I know the meetings have been proceeding and discussions going along in parallel with our efforts to get the balance-of-payments problems in equilibrium.

Senator HARTKE. If you will read those reports, you will see they say that until the United States straightens up its balance-of-payments problem, there is no necessity, and in fact, they do not think there is any urgency in international monetary reform.

Mr. TROWBRIDGE. I think this is the French position. I am not sure it is the total position of the Group of Ten.

Senator HARTKE. Who are the dissenters?

Mr. TROWBRIDGE. I would think if you would characterize the various positions, as I understand it, the French say there is no need to talk about it until the American balance is in equilibrium.

Senator HARTKE. Let's stop right there. What do you mean by equilibrium?

Mr. TROWBRIDGE. Somewhere in the neighborhood of zero. Where input-output, or outflow and inflow are close to each other.

Senator HARTKE. Is the Treasury position the same as your definition?

Mr. TROWBRIDGE. Well, when they talk about equilibrium, I assume it is in that direction, yes. The President, himself, has defined equilibrium in terms of $250 million above or below the balance.

Senator HARTKE. The Secretary of the Treasury told me that he would consider a $500 million deficit to be equilibrium, $500 million to $1 billion. So there is quite a bit of difference as to what equilibrium means. Just so we do not become confused. I am not trying to have a decision on that, but that in and of itself does not mean you have to have a zero balance.

Mr. TROWBRIDGE. The Secretary of the Treasury himself said in a press conference several weeks ago that it may well be necessary to look at the factor of Vietnam as we also look at our goal of balancing the total picture, balancing the payments.

Senator HARTKE. What information does the Commerce Department have concerning the cartelization of the steel industry in foreign countries?

Mr. TROWBRIDGE. Our knowledge on that is fairly limited, I would think, Senator. I might ask if Mr. Peterson might comment on that.

Mr. PETERSON. Mr. Chairman, we do not have a great deal of information on it. There is a trend in Europe for concentrations of some of the producers and mergers to get a more efficient plant of a more optimum size, but in terms of a cartel, we have very little information.

Senator HARTKE. Do you think it would be valuable to us to have such information?

Mr. PETERSON. I do think it would be valuable to have more information on the ownership and the ways that the foreign steel production and trade are carried out; yes, sir.

Senator HARTKE. Are you aware of the mergers which have recently taken place in the steel industry in France?

Mr. PETERSON. I do not recall the names of the companies, but there have been a couple of mergers, one involving Usinor, a large producer of flat rolled steel, and others under discussion. There has been a recent one between a large West German producer and a Dutch producer, where they have agreed to have the Dutch producer concentrate on the basic iron and steel production while the German producer would concentrate on the finished products.

Senator HARTKE. What type of control do we have over the merger of these companies and the resulting restraints in trade which are affected by them?

Mr. PETERSON. I am not sure that we have any control on them in terms of the concentration or merger itself. They require approval by the High Authority of the Coal and Steel Community, which has given the approval. In terms of our law and the sales of these companies to the United States of steel products here, I am not sure what the laws are in terms of the Robinson-Patman Act and other laws. I am not an expert in this area, sir.

Senator HARTKE. But with regard to the same type of procedure, if it occured in the United States, would it not be subject to the antitrust laws?

Mr. PETERSON. Yes, sir.

Senator HARTKE. But this is not true of those companies, is it?

Mr. PETERSON. Well, it is in the sense that the Treaty of Paris, which set up the Coal and Steel Community, does have articles in it having to do with concentrations and mergers and they must seek authority from the High Authority. But as I have indicated, they have given approval to most of these mergers, feeling that they need to have larger firms to get optimum efficiency in their steel production.

Senator HARTKE. Well, now, as you mentioned, Usinor and Lorraine-Escaut—is that it?

Mr. PETERSON. Usinor, yes, sir.

Senator HARTKE. They merged, and in addition to that, you have the second merger which would join De Wendel and Sideor, which are the second and third largest steel manufacturers there, is that true?

Mr. PETERSON. Yes, sir.

Senator HARTKE. Their combined capacity is about 8 million tons, which ranks them along with the largest in the world, is that not true?

Mr. PETERSON. Well, in terms of companies?

Senator HARTKE. In production and companies, yes.

Mr. PETERSON. In companies, we would have some large ones, and possibly one in Japan might be larger.

Senator HARTKE. Three or four American companies might be larger; right?

Mr. PETERSON. Yes.

Senator HARTKE. They move into this cartelization, and they move into this operation which permits them to proceed to establish their own prices. They get Government aid and Government loans, is that not true?

Mr. PETERSON. Well, they have in the past received loans from the Government. Belgium, for example. And they have had the financial resources of the High Authority, which they have tapped in part.

Senator HARTKE. And they provide export credit facilities for them, which are not available in the United States; is that not true?

Mr. PETERSON. I am not sure of the comparative export credit facilities, sir.

Senator HARTKE. Just what does the Commerce Department of the United States do for our steel industry by comparison?

Mr. PETERSON. Well, we have a system through our embassies of export opportunities.

Senator HARTKE. Opportunities, right.

Mr. PETERSON. Opportunities that are processed, which are distributed. We do have these trade opportunities that are sent in from our embassies abroad. They are published in International Commerce that Mr. Trowbridge referred to earlier.

We also supply whatever information we can to the American Iron and Steel Institute which comes to our attention for dissemination.

At the same time, our Export-Import Bank, although I am not familiar with the comparative credit facilities as compared to other countries in detail, there have been occasions when our steel industry has been helped. For example, in authorizing credits to iron ore development abroad, where our companies want to get better quality and be assured of a long-term supply of iron ore.

Senator HARTKE. That is not dealing with exports, though.

Mr. PETERSON. No, sir; but you asked how is our steel industry helped.

Senator HARTKE. I asked what do we do to help our steel industries export? What type of assistance is there from the United States?

Mr. TROWBRIDGE. I think, Senator, that the whole range of trade promotion in export expansion programs which we have are not only available to but in some cases used by the steel industry.

Senator HARTKE. I am talking about what do you do? In other words, you do not provide export subsidies. You do not provide discounting for them on paper. We do not provide special considerations for them on taxes, do we? We do not do anything like that; is that correct?

Mr. TROWBRIDGE. Correct.

Senator HARTKE. I think that is right. What I am trying to point out here is that you have this cartelization in which there is no antitrust prosecution which they have to fear. They have these special incentives for export given to them by their governments, which we do not give ours; is that not true?

Mr. TROWBRIDGE. That is right.

Senator HARTKE. But you do say, you do not know what type of assistance is given to these foreign countries in this field; is that right?

Mr. TROWBRIDGE. Mr. Peterson has listed some of the various——

Senator HARTKE. Do you know, for example, what Belgium does?

Mr. PETERSON. No, sir; I am not familiar in detail with the type of assistance they give to their industries generally or their steel industry.

Senator HARTKE. Do you feel such information to be of value?

Mr. PETERSON. Yes, sir.

Senator HARTKE. Well, why have you not obtained it?

Mr. PETERSON. Well, I was going to say that we do have information that the Belgian Government had given the steel industry some low-interest loans in the past.

Senator HARTKE. But you do not know what they do as far as export loans or export credit subsidies are concerned, if anything at all?

Mr. PETERSON. No.

Senator HARTKE. Yet you say this study would be of very limited value. Although you admit you have not done it yourself.

Well, now, let's come back to cartelization. You say you do not know what is going on in this field of cartelization. Do you not think that it would be of extreme value to make a determination in an item as important as this?

Mr. PETERSON. Yes, I do.

Senator HARTKE. Why do you say such a study would be of limited value?

Mr. TROWBRIDGE. Senator, the point we make in our testimony is that surely we do not have all of the information within our own office.

Senator HARTKE. Well, why do you not?

Mr. TROWBRIDGE. Well, I think if we were to have all of the information on all parts of American industry ad infinitum, we would——

Senator HARTKE. I am not asking you ad infinitum. I am talking about an industry in which the imports alone account for 68 percent—the balance of trade alone, rather, accounts for 68 percent of the deficit in what is considered to be one of our major monetary problems and economic problems at the moment, the so-called balance of payments. This has been placed across every newspaper, every magazine, and has been talked about in every small community. It was pointed out last year by the Secretary of the Treasury that this was, outside of Vietnam, our No. 1 problem.

Now, I am not asking ad infinitum. I am asking why are you hesitant and why do you feel that a study of this type, development of the facts so an objective decision could be made, would be of limited value?

Mr. TROWBRIDGE. Well, as I have tried to explain, I think we could, obviously, and would join in such a study and we would have available and could generate a great deal of the pertinent information under the four categories that are outlined in the resolution. There are some serious gaps that we could see as being practically impossible to get in terms of particularly the cost-price structure of foreign steel industries. There would be information of the domestic industry that would be difficult to get, if not impossible to get.

Senator HARTKE. Is there excess capacity in steel in Europe today?

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. And as a result, have they sliced their prices substantially?

Mr. TROWBRIDGE. I know that there is an excess capacity. What the price impact of this has been, Senator, I could not give you offhand across the board in all steel mill products.

Senator HARTKE. Has there been an increase in protectionism by the Coal and Steel Community?

Mr. TROWBRIDGE. During what period?

Senator HARTKE. Recently, in the last few years?

Mr. TROWBRIDGE. I think that the average European Common Market tariff rate which, prior to 1958–59, was in the neighborhood of a 14-percent average, and which at that time in 1959 was reduced down to an average level of about 6, in January or February of 1964, the average was increased to a level of about 9.

Senator HARTKE. Yes. In other words, they increased their tariffs.

Mr. TROWBRIDGE. That is right.

Senator HARTKE. And Spain and Greece have imposed curbs in the name of antidumping legislation, is that not true?

Mr. TROWBRIDGE. That may well be, Senator, I am not sure.

Senator HARTKE. You do not know, again. But you think a study would be of limited value, although you are not familiar with this.

Mr. TROWBRIDGE. That information I know is available in the Government. I do not happen to have it in my head.

Senator HARTKE. And the fact that Britain in 1964 put a surcharge on all imports—is that true?

Mr. TROWBRIDGE. Fifteen percent, yes, sir. Recently reduced to 10.

Senator HARTKE. But these are all items which have tended to restrict our opportunity to export, is that not true?

Mr. TROWBRIDGE. Any increase in trade barriers does, yes, sir.

Senator HARTKE. What would happen if—let me ask you first, what percentage of the nails used in the United States is now produced overseas?

Mr. TROWBRIDGE. What percentage of the nails produced—in use in the United States are produced overseas?

Mr. PETERSON. I think it is about half, sir, if not more.

Senator HARTKE. What if they were cut off suddenly. What would happen to our national defense effort in that regard? Has this ever been given consideration?

Mr. PETERSON. Well, the Office of Emergency Planning has cognizance over the impact of imports on national security. So far, they have not received any appeals in that connection. Certainly there is a concern if any particular product area, all our producers would go out of business in an important commodity that would affect our national defense.

Senator HARTKE. Now, what about barbed wire?

Mr. PETERSON. Barbed wire is over half, sir.

Senator HARTKE. And where do we use barbed wire now?

Mr. PETERSON. Well, we use a great deal in Vietnam and we have had, some of our steel producers recently brought back into production some of their facilities to produce enough barbed wire, sir.

Senator HARTKE. So there is a national defense item to be considered, is that true?

Mr. PETERSON. Yes, sir.

Mr. TROWBRIDGE. Senator, could I go back for a minute to a point we discussed earlier of Government support to steel industry exports? I might just point out on table 11 in our presentation, the figures on total exports of steel mill products in millions of dollars and the portion financed by AID, which in the year 1965 amounted to 42 percent of total United States exports were financed by AID. That was not covered in our discussion of Government assistance in exports of steel. It is in this series of tables.

Senator HARTKE. Now, what I am trying to come back to is the fact that you have cartelization, and you have economic isolation as far as the United States is concerned for world expansion in the steel industry itself due to the voluntary program. You have had the—well, we do not know, according to what you say, what the problem is in cartelization exactly. We do not know what is the comparison upon economic benefits given to exports of steel as far as foreign markets are concerned.

One other item I want to come to. Is it not true that due to this overcapacity, they have substantially cut prices of items which are coming to the United States? Overseas producers have substantially cut the prices of items which come to the United States?

Mr. TROWBRIDGE. I think it is certainly true that prices in, let's say, reinforcing rods, other particular parts of the steel mill product total, have certainly been reduced and are extremely competitive

Senator HARTKE. Extremely competitive?

Mr. TROWBRIDGE. Below our own prices.

Senator HARTKE. Below our prices, right.

Mr. TROWBRIDGE. That is my understanding.

Senator HARTKE. And therefore, when they continue to increase their capacity, they are able to capture part of the market, is that not right?

Mr. TROWBRIDGE. They have certainly captured larger portions of it.

Senator HARTKE. There are two instances in which they have moved. One is the steel strike which put us into a deficit balance in steel in 1959, right?

Mr. TROWBRIDGE. Yes, sir.

Senator HARTKE. What happens is that whenever we have a discussion of what the impact is, they say it is due to a steel strike. But each and every time, including this last time in 1965, the percentage of the market which they have retained after the steel strike has always been higher, is that not true?

Mr. TROWBRIDGE. That is true.

Senator HARTKE. If the present policy continues along the present trend, it can be anticipated that they are going to go from their present 10 percent of the total to how much?

Mr. TROWBRIDGE. Senator, I could not guess on that. The trend in 1966 is less than the 10-percent figure they derived in 1965. It is going to be higher, obviously.

Senator HARTKE. I was going to come back to that. How much less—22 percent, I thought you said.

Mr. TROWBRIDGE. As of the first 4 months of this year, imports on an annual rate basis, and again, as in the balance-of-payments question, the annual rate figure is a very difficult one to hang your hat on. But the imports in the first 4 months are 22 percent less than the equivalent period last year.

Senator HARTKE. Now just taking your own statement in that same paragraph, "but 30 percent more than in 1964"?

Mr. TROWBRIDGE. I am sure that is true.

Senator HARTKE. So let us be honest about it. A fair appraisal of it, simply stated, shows that there is a constant deterioration, as you have said, in the percentage of steel which is produced domestically in relation to that which is imported. Is that not true?

Mr. TROWBRIDGE. This is a serious problem when it accounts for as much as we are doing now.

Senator HARTKE. You say that you do not feel, though, that we should go into an item-by-item study. Is that correct? I think this is in your study here.

Case by case, you said.

Mr. TROWBRIDGE. We are talking about case-by-case handling of the work done under the antidumping regulations, saying that this——

Senator HARTKE. I thought you had, either in the statement itself or otherwise in answer to a question, you said you felt—I think it was to Senator Bennett's question—you thought we should not go into a product-by-product study of these items of a nation which is——

Mr. TROWBRIDGE. I do not believe I said that; no, sir.

Senator HARTKE. Do you think we should or should not?

Mr. TROWBRIDGE. If we are going to have a study of this type, surely it would have to be on a product-by-product basis.

Senator HARTKE. I did not ask you that. I know if you are going to have a study, you will have to do it. I understand that. But do you think such a study is desirable? I know you take the position on this resolution that such a study would be in the abstract and of limited value. That is on point one.

On point two, you say that most of this information is available to the Department. Point three, you say a study would be of limited value; and point four, you question the value of the study.

Now, do you consider the steel industry to be as important as the shoe industry?

Mr. TROWBRIDGE. Both within the domestic economy and the international, it certainly is a much bigger factor.

Senator HARTKE. Are you not conducting at this present time a study on the shoe industry, its technology, its research and development plans and needs, its export potentials?

Mr. TROWBRIDGE. Yes. That study was initiated about a year and a half ago, or longer.

Senator HARTKE. And you believe——

Mr. TROWBRIDGE. It is primarily a technical assistance kind of project in which we would hope that we could provide some sort of assistance to that industry which has had problems.

Senator HARTKE. And you are going to provide some assistance to them?

Mr. TROWBRIDGE. Hopefully designed to get modernization practices into the productive factor of the industry.

Senator HARTKE. And this study also is touching on the impact of foreign imports, is that not correct?

Mr. TROWBRIDGE. I believe that is part of it; yes, sir.

Senator HARTKE. And is it not true that the imports of foreign footwear, leather footwear, accounts for about 15 percent of the total consumption at the present time? Is that not correct?

Mr. TROWBRIDGE. I believe that is right.

Senator HARTKE. Why, then, if such a study as this is important to the United States, would not a study of the type which is envisioned by this resolution be important to the United States?

Mr. TROWBRIDGE. Well, sir, we are dealing in the case of shoes primarily with domestic industry which has the primary problem of modernization within its own productive processes. The factors of the information that we are seeking, pulling together in the shoe industry, are more readily available because of the domestic nature of the problem.

I think that the study in the steel industry differs in that, basically, we would be comparing the competitive abilities because of the nature of this resolution which is aimed primarily at the import impact. We would have to compare the competitive abilities of the foreign steel producers and the domestic. This would be the primary focus of such a study. Our ability to get the full information of that competitive ability, I think, must be recognized as being very limited. Whether we would come out with a study which would be really meaningful, given this lack of access to basic information, is our main question when we say that such a study might have limited value.

Senator HARTKE. Well, if you consider this a major problem, just what steps have you taken specifically in the steel industry to alleviate the problem?

Mr. TROWBRIDGE. Well, sir, I think that if you look at the package of AID financing on exports, of Eximbank financing, are of trade promotion activities, this is one series of steps. I might add one other that I am sure the steel industry would be eligible for, and that is for some of the benefits under the Economic Development Administration if the location of a new investment in an area judged to be depressed under the standards of that law.

Senator HARTKE. This has to do with exporting?

Mr. TROWBRIDGE. No, sir; but this is a domestic assistance that would be available should it be required, similar to the ones you pointed out in Europe given by the foreign countries.

Senator HARTKE. I want to interrupt you right now. Congressman Madden is here. He is from the great State of Indiana, and the ranking member of the House Rules Committee. I know he is very busy today. They are trying to get us out of Congress by at least August 15.

Congressman Madden, it is a real pleasure to have you with us this morning.

STATEMENT OF HON. RAY MADDEN, A REPRESENTATIVE IN CONGRESS FROM THE FIRST CONGRESSIONAL DISTRICT OF THE STATE OF INDIANA

Mr. MADDEN. Mr. Chairman, I want to thank you for this opportunity to testify, because we have the Rules Committee going on now and I just excused myself temporarily.

The prime reason for my appearance here is to commend you as chairman of this subcommittee and the Finance Committee of the Senate for holding these hearings. I firmly believe that the unreasonable annual increase of imported steel from various nations over the globe must be curtailed. Unless your committee in these hearings can arouse the Congress and the Government to take some kind of steps to reduce this growing importation of steel products from other nations, there will be thousands of steelworkers and other employees in the steel mills throughout the Nation and in the Calumet region of Indiana, which is my district, out of work.

We realize nations must have comity and concessions on international trade. I think in certain of our manufactured commodities, there is an unreasonable expansion in imports taking place in recent years. The cheap production in foreign countries as compared with the wages paid in this country is the principal reason for expanding imports, particularly steel. I am merely talking about steel today. Maybe there are some other products that might be placed in the same category as far as unreasonable importation is concerned. I have seen the time in my district, and it has not been very long ago—it has been within the last 15 years—when many steelworkers were out of work. Of course, we do not need to go back to the early thirties when cheap labor and low purchasing power brought on the great depression. But I think we had better alert ourselves on this gradual encroachment of letting down the importation bars to manufactured products. I am particularly talking about steel imported from Japan and other areas where they are paying low wages, low-cost production, and unfairly competing against our economy.

In 1955, the imports of foreign-made steel into the U.S. market were 1.2 percent. Let's go to 1958. It crept up to 2.9 percent. In 1959, 6.1 percent. In 1963, 6.9 percent. It keeps creeping up, year by year. In 1964, 2 years ago, it jumped from 6.9 percent to 7.3. In 1965, last year, it jumped from 7.3 up to 10.3. Unless your committee can follow through on the good work you have started here this morning, nobody knows but what in another 5 or 6 years, it may be up to 15 or 20 percent. And steel is one of our major economies in this Nation. It employs a big percentage of our work force. It is the barometer of our prosperity.

Mr. Chairman, without taking up too much of your time, I do want to urge you to pursue these hearings. I know and I believe that the Congress, and that includes the House of Representatives, will cooperate along with your committee. It is astounding when I understand Japan sends 43 percent of its steel production into this country—43 percent. So I think it is about high time that we take some steps to curb this encroachment upon the American working men and women, because we know not what our economic future is going to bring, and we must use every precaution to protect our economy and employment.

I want to thank you for this opportunity for saying just these few words.

Senator HARTKE. Thank you, Congressman Madden. You come from, I guess, the largest steel producing area in the United States.

Mr. MADDEN. I have three major steel companies in my district, the Carnegie-Illinois, largest in the world, and I have a branch of the Youngstown and the Inland, with several other smaller steel manufacturing concerns.

Senator HARTKE. Thank you, Congressman.

Mr. Trowbridge, I think possibly we have taken enough of your time this morning. I want to thank you for appearing.

We are going to recess now and we will resume at 2:30. For the information of these other witnesses, I might tell you that it is my intention to proceed as rapidly as we can and that we will not quit at an early hour. The intention is to try to conclude these hearings at the earliest possible moment. That means we will be prepared at least to stay until ordinary people quit work.

We will recess until 2:30.

(Whereupon, at 12:30 p.m., the hearing recessed, to reconvene at 2:30 p.m. on the same day.)

AFTERNOON SESSION

Senator HARTKE (presiding). The hearing will come to order. I want to apologize for being a little late here because I was involved in a meeting with the Secretary of the Treasury. Maybe we can pick up some this afternoon.

The next witness we will hear from will be Mr. Fred B. Smith, General Counsel, Treasury Department, and with him is Assistant Secretary True Davis.

Good afternoon, gentlemen. I want you to know that your boss is still working. You may proceed, sir.

STATEMENT OF FRED B. SMITH, GENERAL COUNSEL, DEPARTMENT OF THE TREASURY; ACCOMPANIED BY W. TRUE DAVIS, ASSISTANT SECRETARY OF THE TREASURY; JAMES P. HENDRICK, DEPUTY ASSISTANT SECRETARY OF THE TREASURY; AND JAMES GRIFFIN, SENIOR ECONOMIST, OFFICE OF THE ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS

Mr. SMITH. Mr. Chairman, my name is Fred B. Smith, General Counsel for the Treasury Department. As you know, I am accompanied by the Assistant Secretary of the Treasury, Mr. True Davis. Also the Deputy Assistant Secretary of the Treasury, Mr. James P. Hendrick, and Mr. James Griffin, Senior Economist in the Office of the Assistant Secretary for International Affairs.

Mr. Chairman, with your permission, I would like to read a brief prepared statement.

I am happy to appear before the committee to present the views of the Treasury Department on Senate Resolution 149, which would request the President to cause a study of imports of steel mill products to be undertaken by the Department of Commerce, utilizing other appropriate Federal agencies.

The committee is hearing testimony from representatives of Commerce and Labor Departments and I do not propose, therefore, to deal in my prepared statement with general factual information concerning the status of the U.S. steel industry or of employment in this industry. We are not experts in the Treasury on these subjects, which are not among our primary responsibilities, and on which I am sure that representatives of these other two Departments are much better qualified than I am to speak.

In the Treasury Department, we do have a major concern and responsibility for our balance of payments and we have the statutory responsibility for administering the antidumping statute. I propose to speak briefly on these two subjects as they relate to the proposed resolution before the committee. I should point out, as I am sure the committee knows, that the Department of Commerce bears a heavy share of the responsibility in our balance-of-payments programs and has been charged with the administration of the President's voluntary program on U.S. direct investments abroad.

Before speaking briefly about the relationship of steel imports to our balance of payments and the application of the antidumping statute to steel imports, I should like first to make some general observations about the proposed resolution. First is the question of the desirability and need for a study. Certainly we could not object to such a study if the Senate and representatives of other interested departments felt that there was a need for it. We do have considerable doubt as to the need. We are under the impression that a great deal of information already exists on the current situation of the U.S. steel industry and on the trend of imports of steel and also that the relationship of our domestic and international programs to trade in this and other commodities is under continuous study. I cite, for example, the Report to the President on Steel Prices by the Council of Economic Advisers, issued in April 1965. This report contains a section on foreign competition in steel and its relation to our balance of payments (pp. 10–21 of the report). We believe the steel industry is fully aware of the necessity to improve its market position at home and abroad. It can certainly count on the cooperation of the administration toward this end.

We note that authority already exists by law for the Tariff Commission to study the effects of foreign competition on domestic industry and, under the Trade Expansion Act, to investigate whether imports are causing or threaten to cause serious injury to a domestic industry producing like goods. It would appear that if there is a real need for a current study of the steel industry it could be undertaken without the necessity of passage of a Senate resolution and we believe that this would be a better course to follow. I have in mind the interpretation both here and abroad which might be placed upon the passage of a resolution calling for a study, particularly if it were couched in terms such as those contained in the proposed Senate Resolution 149, which would focus attention on the effect of imports upon the domestic industry. It might be concluded that the purpose of such a study would be to establish a basis for restrictive action against steel imports. This could create difficulties for the conduct of our multilateral tariff negotiations now in process, or lead to the contemplation or initiation of counterrestrictions on the part of major foreign steel-producing countries. Consequently, it is our view that, if there is truly a need for such a study, it might be undertaken by the Tariff Commission or other appropriate agencies of the Government without the necessity for the passage of a Senate resolution.

In any event, we feel that any study undertaken should be broader in its scope than the proposed Senate Resolution 149. While, as I said, we at the Treasury are not experts on the steel industry, it is our understanding that in any real assessment of the competitive position of the domestic industry, careful attention would need to be given to such matters as the efficiency and productivity of the domestic industry and prospects for improvement; the industry's pricing policies; the strength and vigor of its efforts to increase its export markets; the effect of reducing imports of steel on exports of machinery and other manufactured products et cetera. Couching such a resolution in these broader terms would also soften somewhat its impact on those abroad who might be concerned lest it embody a preconceived conclusion that restrictive action against steel imports would be necessary.

The proposed resolution (point No. 3) provides that particular attention should be given in the study to the impact of steel imports upon the maintenance of equilibrium in the balance of international payments of the United States, and, in point No. 4, the effect of efforts of the Government to restrict the outflow of private capital upon the demand for steel products in foreign countries affected thereby.

There can be no question but that there was a substantial increase in imports of steel mill products in 1965 and at the same time a significant decrease in exports. Imports increased by 57 percent in that year to a $1.2 billion level accounting for some 10 percent of the domestic market for such goods, while exports in that year fell by more than 18 percent. A large part of the increase in imports in 1965 can be attributed to the threat of a steel strike which led to substantial stockpiling of steel by domestic users. Nevertheless, imports in the first 4 months of 1966 were at an annual rate of $900 million, still a very high level. It should be pointed out, however, that imports have been at high levels ever since 1959 when they were triggered by another steel strike. Also, these recent large imports have occurred in the context of a greatly expanding U.S. market.

Without question, there has been some deterioration, at least temporarily, in the competitive position of steel. It should be noted, however, that this large recent increase in steel imports has been occurring at a time when demand has been stretching capacity near to its limits, and unemployment is at a very low level. Increases in imports are to be expected under these conditions. Also, there are indications that the competitive position is beginning to improve as the large expenditures for plant modernization that have been undertaken begin to bear fruit, and as the foreign mills continue to experience more rapidly rising labor costs. We believe that an improvement in the competitive position of the U.S. steel industry will be dependent, essentially, not upon more restrictive action against steel imports, but upon the relative success of our efforts to hold down costs and prices in our domestic economy. It will also be dependent, significantly, upon the success of the steel industry's efforts to improve productivity and to make more vigorous efforts than heretofore to expand markets abroad.

With respect to points 3 and 4 of the proposed resolution, the administration's overall program for dealing with the balance-of-payments problem includes, as one necessary and major element, a number of measures designed to exercise some restraint on foreign investment and other private capital outflows.

In the case of direct investments abroad, the Commerce voluntary program does not call for any reduction in the flow of such investments, but only a moderation of what had become an excessively rapid rate of growth in these outflows in relation to the overall balance of our international payments and receipts on other accounts. Specifically, the target under the program allows for an increase during the 2 years 1965 and 1966 together—in new outflows of direct investment capital plus reinvestment of retained subsidiary earnings—to an average annual rate 35 percent higher than the 1962–64 average. In

1965, the absolute increase in direct investment outflows above the 1964 level amounted to $900 million.

In the case of bank credits to foreigners, the Federal Reserve guidelines for voluntary restraint, combined with increasing tightness in the domestic banking situation, have resulted in sharp reduction in previous very high outflows of such credit. However, the banks have been urged, within their overall target ceilings, to give priority to export credits, as well as to credits to less-developed areas; these target ceilings allow for a 9-percent increase by the end of 1966 over the end-1964 level of outstanding bank claims on foreigners; and the banks were, as of end-March 1966, actually $713 million below the target ceiling effective on that date—thus still having considerable leeway, as far as any balance-of-payments restraints go, for additional foreign lending.

The interest equalization tax, similarly, has brought about a substantial net reduction, compared with previous unusually high levels, in American portfolio investment in governmental or corporate securities of developed foreign countries other than Canada. However, this tax does not apply to direct investments or other credits in less-developed countries.

Accordingly, we can see no basis for concluding that these balance-of-payments measures to achieve a limited restraint on otherwise excessive outflows of U.S. private capital have had any significant adverse effect on the continued growth of U.S. exports generally or on U.S. exports of steelmill products in particular.

The most basic and important single element in our balance-of-payments program, of course, has been and clearly must continue to be the further strengthening of our commodity trade balance—through continuing and accelerated growth in our export sales, combined with continued competitiveness of U.S. products relative to imports within our domestic market. The key factors we must look to for success in this vital area are: constant improvement in the overall productivity of U.S. industry; and continued maintenance of general cost and price stability in our domestic economy.

While such an approach cannot, of course, assure gains or even forestall setbacks in the foreign trade balance of any particular U.S. industry or on particular categories or types of products, this must, nevertheless, continue to be the basic focus of our balance-of-payments effort.

Turning next to the question of dumping, Senate Resolution 149 refers to "the possibility of unfair, below-cost pricing of steelmill product imports to the United States." We have found that when they believe such imports have taken place, members of the domestic steel industry are alert to file complaints under the Antidumping Act.

The Antidumping Act comes into effect when a foreign producer sells to the United States at a lower price than he sells in his own country and when these sales to the United States injure our domestic industry. If both elements are present—price discrimination and injury—domestic industry is given relief by imposition of a dumping duty equal to the difference between the higher home market price in the country of export and the lower price to the United States.

To use a simple example, let us suppose that a particular steel product is sold by a foreign producer in his home market at $100 a unit and sold to a U.S. importer at $95 a unit. This is price discrimination. If the sales injure U.S. industry, then a special dumping duty is assessed in the amount of $5 a unit.

The price comparison is typically made on an ex-factory basis, and this is without consideration of ordinary import duties or transportation. Thus, in the example I have given, if the ordinary import duty was $3 and the transportation was $2, the import would cost the importer $100. But the sale to the United States would nonetheless involve price discrimination within the meaning of the Antidumping Act, and if domestic industry was found to be injured, dumping duties would be assessed at the rate of $5 a unit.

Relief can be given to domestic industry not only by imposition of dumping duties following a finding of dumping but also by prompt revision of price (or its equivalent, discontinuance of imports). In this latter event the cases are closed out forthwith. The same result follows when a complaint is withdrawn.

Whether there is price discrimination in a dumping case is decided by the Treasury Department. Whether there is injury is decided by the U.S. Tariff Commission.

Twenty-five dumping cases involving steel products have been processed in recent years, with the following results:

Closed because of price revision and/or complaint withdrawn, 11; finding of dumping, 2; price discrimination found but no injury, 4; no price discrimination, 8; total, 25.

Thus, in 13 out of 25 cases the relief sought by the domestic complainant has been afforded under the procedures of the Antidumping Act.

Steel companies were among those represented at a hearing conducted by the Treasury Department some 2 years ago to consider amendments to the regulations under the Antidumping Act. Following that hearing, amendments were promulgated, effective January 3, 1965, which included a number of measures in which the steel companies had expressed an interest. Among them I would like to mention three.

1. Whereas up to this time a request either by an importer or a complainant that any particular submission be treated as confidential was respected without question, the new procedure provides that where Treasury officials see no reason for confidentiality, the submitter will be given the choice of withdrawing his request for confidentiality or of accepting the principle that the information, though remaining undisclosed, will not be used to support his position in the case at hand.

2. Provision is made for confrontation of the importer and the complainant.

3. Whereas up to this time any quantity discount was allowed which was shown to be freely offered, the new procedure provides that the importer must show any discount claimed on the sales to the United States to have been allowed also on at least 20 percent of home market sales in the country of export; otherwise the discount must be cost-justified.

Two cases involving steel products are presently pending, one before the Tariff Commission and the other before Treasury. No complaints as to steel have been received so far this calendar year, and overall only eight dumping cases with respect to products other than steel have been instituted. Some commentators have attributed this inaction to general world prosperity, others to absence of dumping. On this point, I express no opinion; I do say that any serious complaint which may be filed will receive our full and cooperative attention.

Senator HARTKE. Anything further?

Mr. SMITH. Nothing further.

Senator HARTKE. I want to thank you for your statement, Mr. Smith.

Are you opposed to the study?

Mr. SMITH. No; I think, as I said, we are not opposed to a study. We have some doubts about the need for it.

Senator HARTKE. Are you in favor of it?

Mr. SMITH. No; I would say——

Senator HARTKE. You are neither opposed nor in favor of it. That puts you firmly on both sides of the fence, right?

Mr. SMITH. I would say this. We do not favor the study certainly in terms in which it is stated in Senate Resolution 149.

Senator HARTKE. What modification would you want made in the study? What modification of the resolution do you feel should be made if the study is to be made?

Mr. SMITH. Well, I believe that a great many other factors, some of which I mentioned by way of example in my statement, should be covered in order to have a meaningful study of the competitive position of the steel industry; such as their productivity and their prospects for improving productivity, their pricing policies, whether their export promotion programs are aggressive enough and so on and so forth.

I would like to say one other thing, sir, about the study. I do not want to be weasel-worded with you certainly.

Senator HARTKE. You can use any words you want; I am used to that.

Mr. SMITH. One of the significant reservations we have about this study is that in large part we feel that the problems of increasing steel imports, and the necessary approach to those problems, is really the same approach that we have to take with respect to the whole balance-of-payments problem. In other words, most of the significant factors which have led to these recent results in steel are the factors which have created difficulties for us in solving our balance-of-payments problem, and the approach to the steel import problem is in large measure the approach to our balance-of-payments problem.

Senator HARTKE. What is wrong with finding out the facts?

Mr. SMITH. Well, I certainly think there is never anything wrong with finding out the facts. I would hope that within this Government we are continually keeping track of the facts, and what is happening in all major segments of our economy, including, of course, steel, which is a very important part of our economy——

Senator HARTKE. Well now, I do not want to prejudge what is going to happen this year, but I think it is only fair to say that any objective analysis would make it obvious that the balance-of-payments problem to which you refer is not in the process of really being solved. If anything the first quarter figures, no matter how you want to interpret them, indicate your situation is going to be worse this year than it was last year, and most certainly cannot be in a better position; is that true?

Mr. SMITH. I would say this: that I think we would agree that the balance-of-payments problem is not about to be solved. In his press conference the other day on the first quarter figures on our balance of payments, Secretary Fowler was not prepared to assume just on the basis of the first quarter results that our deficit was going to be any worse this year than it was in 1965.

Senator HARTKE. There is no real thought that it is going to be any better, is there?

Mr. SMITH. Well, conceivably it could be, but I do not think we are betting on it.

Senator HARTKE. Let me put it this way then. Let us come back to it under a little different approach if you do not want to admit what I think is obvious and I see you are hesitant to do that. What we have been doing so far has not provided for equilibrium in any sense of definitions under the current definition of equilibrium, is that not true?

Mr. SMITH. Yes. We are certainly not in equilibrium on balance of payments.

Senator HARTKE. Yes, as I understand equilibrium now established by—I do not know who it is established by, to tell you the truth. I am trying to find that out, but whoever established this equilibrium in some speeches, they have come back with a $250 million mark, is that right?

Mr. SMITH. I think Secretary Fowler said if we were $250 million above or below, he would regard that as relative equilibrium, yes.

Senator HARTKE. We are not anywhere close to that.

Mr. SMITH. No; we are not.

Senator HARTKE. The fact of the matter is we are a long, long way away from that, and the first quarter deficit alone was in excess of that, almost twice that.

Mr. SMITH. Yes, indeed.

Senator HARTKE. Almost twice that without relation to the other. All I am trying really to do is establish what I thought was pretty generally admitted, but it seems we have to go a little bit around. But that is all right.

Now then, if these changes were made to which you refer in your statement, which you said that you think should be considered, would you still be opposed to the study?

Mr. SMITH. Well, as I said, and perhaps I am not the best one to express an opinion on this, since, as I said, I am not an expert on the steel industry, a significant part of our reservation about the study is that after all the returns were in, what would you have? What we think you would have probably would be better information on some aspects of the steel industry, but you would still have a problem, the solution of which, we feel, the approach to the problem, would substantially be the approach which must be taken to try to solve our balance-of-payments problem.

Senator HARTKE. What is there that is contemplated? What is there that you plan, that we have not been told about, which is going to solve this problem of the balance of payments, which you are not solving?

Mr. SMITH. Well, I would comment on that briefly with this reservation, Senator Hartke; Secretary Fowler, in his statement of May 19, went into all aspects of our current balance-of-payments situations and what we can look for, and so that I will not give an inadequate answer, I would like to offer that for the record. But I would say this, we have recently been experiencing a very tremendous and rapid rise in our gross national product. As I understand it——

(Secretary Fowler's speech, referred to above, follows:)

[For use in morning newspapers, Thursday, May 19, 1966]

REMARKS OF HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY, AT A NEWS CONFERENCE ON THE BALANCE OF PAYMENTS IN THE FIRST QUARTER OF 1966, MAY 18, 1966, AT 2:30 P.M., E.D.T.

The balance of payments table and news release of the Commerce Department released today shows a seasonally adjusted first quarter deficit of $582 million on the overall liquidity basis.

At the recommendation of the Advisory Committee on Balance of Payments Statistics, chaired by Dr. Edward M. Bernstein, and the Statistics Subcommittee of the Joint Economic Committee of the Congress, chaired by Senator Proxmire, we began reporting the deficit in the last quarter of 1965 on both the "over-all" and the "official settlements" bases.

On the latter basis the seasonally adjusted first quarter deficit was $262 million.

The major difference between the two is that the overall, or liquidity, account includes changes in private foreign dollar holdings, and the official settlements does not.

As pointed out in the Commerce Department release, the first quarter official settlements deficit represented a considerable improvement from the fourth quarter rate of $1.2 billion and the 1965 second half quarterly average of $470 million—with these figures calculated on the same basis.

Since mid-1965, with the beginning of the large buildup in direct and indirect costs of our military and aid operations in Southeast Asia, we have, however, been little more than holding our own—in terms of "overall" balance of payments results.

In August, reporting on the second quarter surplus, I warned of the dangers of possible complacency, saying of the second quarter surplus:

"We do not take it as a sign that we have turned the corner from balance of payments deficits to balance of payments surpluses.

"The period of surplus is too short for that, and there were too many special factors affecting it."

You are all aware that quarterly figures are notoriously unreliable guides to future performance. Multiplying the first quarter deficit figures by four to arrive at an estimate of the 1966 deficits on the "over-all" or "official settlements" basis would be no more appropriate than to have treated last year's second quarter surplus as marking the solution of our problem.

So let us examine the past three quarters since the new and significant factor of the Vietnam build-up entered the picture last August, adjusting them to take into account two specific arrangements with Canada and West Germany.

If the $150 million of Canadian security issues shifted from the fourth quarter of 1965 to the first quarter of 1966 were shifted back to the fourth quarter (net of $40 million of Canadian first-quarter repurchases of its obligations from U.S. investors), you would see the following pattern of seasonally-adjusted quarterly deficits since mid-1965.

Overall deficit

[In millions of dollars]

3d quarter 1965	—509
4th quarter 1965	—476
1st quarter 1966	—472

The reasons for this shift of Canadian issues from the fourth quarter to the first quarter are given in our attached news release of November 9, 1965.

If, in addition, the present military offset arrangements with West Germany, which call for German payments to the United States during the fiscal years July 1, 1965, to June 30, 1967, for military equipment to offset our military expenditures in Germany, were functioning on an even quarterly basis (which is not part of the arrangement), the picture, on a seasonally adjusted basis, would be (table follows):

Overall deficit

[In millions of dollars]

3d quarter 1965	—377
4th quarter 1965	—301
1st quarter 1966	—382

It would seem from these figures that since the beginning of the large build-up in Vietnam last August, our progress toward achieving equilibrium in the balance of payments has been arrested. Those who would pass judgment on the long trend in the United States balance of payments must ask what would the situation have been without the Vietnam build-up. This question arises naturally from the fact that the balance of payments costs and consequences of the Vietnam conflict are not permanent or ordinary costs that will persist indefinitely.

Two factors must be taken into account: (a) the rising balance of payments costs in Southeast Asia of both the military and the aid programs and (b) the direct and indirect impact of Vietnam on the domestic economy and the balance of trade.

In the last quarterly balance of payments press conference, I answered questions concerning the increases in the direct balance of payments impact of military and aid outlays related to Vietnam. They are substantial.

But the indirect effects are also important, if more difficult to measure. Gross national product has increased in the fourth quarter of 1965 and the first quarter of 1966 at unusually high rates in real terms as well as current dollars. The impact of the sharp increases in government orders placed as a result of the Vietnam build-up undoubtedly contributed to the fact that manufacturing plants operated at the highest utilization rate in many years and that plant and equipment expenditures moved up at a sharply increasing rate. Although one cannot pinpoint the exact amount of the exuberance of the two quarters that should be attributed to Vietnam, clearly it was substantial and it adversely affected our trade balance.

Instead of the *improvement* that we had expected from last year's $4.8 billion rate, the trade surplus in the fourth quarter, amounting to $5.1 billion at an annual rate, dropped in the first quarter to $4.4 billion at an annual rate.

Exports increased at an annual rate of $350 million over the fourth quarter, a very respectable rise, and imports rose $1,000 million. How much higher exports and how much lower imports would have been without the pressures on capacity and demand, created, *in part,* by the increased scale of Vietnam associated activities, is almost impossible to say.

But we know that there was an effect, and the adverse indirect impact of Vietnam on our balance of payments since we made our forecast last fall may well have been greater than the direct costs.

We suggest that careful analysis will support the proposition that, absent the Vietnam build-up, the United States might have moved substantially closer to equilibrium in its balance of payments in the three quarters under discussion.

Indeed the picture for the first quarter of 1966 would be much more favorable:

(a) if there were no direct balance of payments costs of Vietnam, *or,*

(b) if the West German military offset payments had caught up to schedule this quarter, *or,*

(c) if the Canadian security offerings in the New York market, in the first quarter had not been bunched, *or,*

(d) if the quarterly trade surplus had, in fact, been of the magnitude consistent with the assumption stated in the 1966 program when it was announced in early December.

So the question arises what should be done? We have not waited for the figures announced today to begin to arrive at answers and, in fact, put them into effect.

On March 8, the President issued new orders to all government departments and agencies urging them to examine their dollar outflows and to reduce them to an absolute minimum. (See attached copy.)

The Department of Defense began in March to consider a series of new measures designed to reduce the foreign exchange costs of its activities.

The Agency for International Development continues to take steps to assure that our foreign assistance, to the greatest extent possible, takes the form of the transfer *not of financial resources* but of *real* resources—exports from the United States.

The Federal Reserve voluntary credit restraint program continues to operate effectively. We had an inflow of $255 million in short- and long-term bank funds in the first quarter, slightly more than in the fourth quarter of 1965. Governor Robertson will comment further on this.

Secretary Connor issued a press release on May 11, describing the current status of the voluntary program being administered by the Department of Commerce. We will not have for some weeks the first quarter figures for direct investment and investment income. Secretary Connor will have a statement on this phase of the program.

The Foreign Tax Investors Act, now reported out by the House Ways and Means Committee, should become law as soon as possible to provide the basis for an expansion in private foreign portfolio investment in the United States.

We had allowed for another increase in the tourist deficit in our 1966 forecast last fall. It remains to be seen whether the increase will be larger than anticipated. Meanwhile, we have been studying ways of making our present program, designed to stimulate travel in the United States, more effective. There is a strong feeling throughout the government that we must spend more money to promote our product, to make more foreigners and more of our own citizens aware of the tourist attractions here and to make those attractions as accessible and appealing as possible.

It is clear that our trade balance and export growth are the key to the future. We here in the government have talked a great deal about exports and I believe we have made progress—particularly in the Commerce Department—in our various efforts to stimulate exports. But I am not sure that we have made it as clear as we should that exports are a matter of critical concern *to all of us*. Here is a field of endeavor in which the government and the business community clearly have a deep and lasting mutuality of interest.

The Action Committee of the National Export Expansion Council recently submitted three reports to the President on *Export Financing, Exports and Taxation,* and *Ocean Transportation, Freight Rates and Export Expansion.* These reports contain a number of interesting and helpful suggestions. Mr. Harold Linder, Chairman of the Export-Import Bank, has announced a long list of adjustments in the policies of that bank designed to make it faster and easier and in some instances cheaper for exporters to obtain export financing. These changes coincide with certain of the recommendations of the NEEC Action Committee Report. Other recommendations in these reports are under active study in the government and no doubt will be reflected in further positive action.

The Commerce Department is intensifying its efforts to bring together American producers and foreign importers and to assist the American producer to make, package, and deliver his product in the most effective way for sale in a foreign market.

The Secretary of Agriculture is actively engaged in promoting exports in that very important sector. Our AID mission directors are becoming more export-conscious and studies of ways in which they can help stimulate United States exports with promising repeat-business potential are underway.

Indeed, there are encouraging signs in our export performance. Exports *are* up this year, and in March they were up sharply to a record level—the highest level in history except for March 1965, when our shipments surged forward at the end of the dock strike. The encouraging thing about the March figures, furthermore, is the broad range of nonagricultural products for which export demand increased.

But we can do still better. And we here in the government must make sure that we do not unwittingly put impediments—administrative and otherwise—in the way of our exporters.

On the import side, I am hopeful that as the rate of increase of Gross National Product slows—and I think you would agree it will not continue to increase at the same rate as in the first quarter—and as new productive capacity comes on-stream, we will be better able to supply domestic demand for goods and services from domestic sources.

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Our goal is still the achievement of equilibrium—sustained equilibrium. The multiple costs of Vietnam have made the task more difficult to be sure, and it may be that we will have to settle for an interim objective of equilibrium exclusive of the costs of Vietnam.

As always, the future is unclear. But this should be crystal clear: we will reach an appropriate degree of equilibrium and we will do so in ways consistent with our obligations, as we see them, to our own citizenry and to the remainder of the Free World.

Senator HARTKE. Do you anticipate that it is going to continue?

Mr. SMITH. As I understand it, there is a lot of opinion that the rate of increase is likely to taper off.

Senator HARTKE. Is it going into a recession, in your opinion?

Mr. SMITH. No, no indeed. No, I said the rate of increase.

Senator HARTKE. I just wanted to find out.

Mr. SMITH. Also spurred on by this tremendous prosperity, there has been substantial investment in new capacity, more efficient, and which should be more productive capacity.

Senator HARTKE. What about the investment by foreign companies into new plants and equipment and expansion?

Mr. SMITH. Well, it has been going on, too. But I think that——

Senator HARTKE. At a more rapid rate than in the United States or less rapid, percentagewise?

Mr. SMITH. I am advised less rapid.

Senator HARTKE. All right. We have a new steel plant that is going to built in China, right?

Mr. SMITH. If you say so, I do not know about that. I know there are new steel plants built in Mexico and Brazil and various places.

Senator HARTKE. Yes, which is a remarkable situation. You have the West Germans using our soldiers to defend them in Western Europe against Communist aggression, while they in turn finance an operation to build a steel plant over in China which can make steel casings for bullets which can be shipped down to North Vietnam and fired into the bodies of American soldiers fighting communism in that part of the world, and then using a West German ambulance to haul away the boys. It is a real nice situation. The Government does not seem to be concerned. I would be, and I have protested it, but this is a remarkable situation. It is just sort of a sidelight into some of the peculiar circumstances of the steel business. But steel production is now going to be helped along in China with a new plant.

Now steel is sort of a prestige item, is it not?

Mr. SMITH. I would say so; yes, sir.

Senator HARTKE. Every underdeveloped nation in the world—the first thing they want is a steel mill and an airline, is that right? Those are the two items they want to have. And if they manufacture steel, ordinarily they do it at far less competitive prices than it is done in the United States, is that not true?

Mr. SMITH. Well, now, I do not know about that. I would say this——

Senator HARTKE. Will you just assume that I am right for the moment and without taking any judgment on that, just assume I am right on that? That they go ahead with this. That they do not try to be competitive. This is a prestige item for them. Yet they have to dispose of this steel when they produce it, do they not?

Mr. SMITH. Yes.

Senator HARTKE. And the No. 1 choice customer, of course, in all these processes is going to be like it was with Japan, after we rebuilt them with foreign aid, the No. 1 place to look to is the United States. That is all very well if you did not have a serious balance-of-payments problem on your hands which has caused us to enter into this policy of economic isolationism which we are presently tending to follow, and to this tight money policy which we are instituting here to slow down the boom so that we do not have the problem of overheating, which has only served to increase interest rates. All of these problems seem to be falling around our back because of the balance-of-payments problem which we do not seem to be able to solve.

Will you tell me what we are really doing to try to solve the balance-of-payments problem?

Mr. SMITH. First if I could make one comment, sir, on these foreign steel mills, if I may. Of course, when we sell these foreign steel mills to these countries, that helps our balance of payments.

It does not help the steel industry, I assume, but it does help our balance of payments. A lot of these new steel mills that have been built, in Brazil, and various other ones, have been U.S. equipment which we have sold and which has been what you might call an offset plus item for our balance of payments.

I just wanted to make that one comment that, as I say, it is not helpful to steel but in terms of our overall balance of payments there is this to take into consideration. Just as, for instance, if American machinery manufacturers were able to sell products abroad cheaper because steel imports reduced the cost of steel to them, basic steel to them, then I assume in a sense there is to a degree some offset against the advance balance of payments results of a steel import.

Well, there is nothing new and magic, in my opinion, in our balance-of-payments program. We are pressing very hard to make all of our existing programs more effective, to reduce overseas expenditures to a minimum, to increase the U.S. procurement component in our foreign aid expenditures, to do everything possible to promote our exports, including some improvements in our export financing procedures.

I recall having seen this morning a statement by the President of the Export-Import Bank that between direct loans by that bank and its guarantee and insurance programs, last year, the Eximbank made a $1.8 billion contribution toward our exports. We are just plugging away, I would say, every place we can to push things which will either cut down our foreign outpayments or increase our inpayments on our balance of payments.

Senator HARTKE. Well, just to correct the situation, I want to point out that in the news release issued by the Treasury Department on May 19, there was a $582 million deficit for that quarter, which is considerably more than—twice $250 million. The point still is in this analysis. The Secretary—and I am not saying he is right or wrong—grabs at $150 million which he says was the Canadian security issue which was shifted from the fourth quarter of 1965 to the—which would have shifted from the first quarter of 1966—to the fourth quarter of 1965—and would have made a difference.

In other words, your concern about $150 million—and I am not saying you should not be—but here we have in steel an amount of $870 million which I am concerned about, but there does not seem to be that same concern elsewhere.

Do you have any explanation for this lack of concern for $870 million in deficit? There is great concern about $150 million.

Mr. SMITH. Well, sir, as far as I am concerned, it is a matter of concern to me. I have not shown any lack of concern for it.

Senator HARTKE. Let me ask you this then: What is the chief worry at this moment, as far as the Treasury is concerned, on the balance-of-payments front?

Mr. SMITH. The chief worry?

Senator HARTKE. Let me help you.

Mr. SMITH. I would say that our chief worry——

Senator HARTKE. Let me help you. I will give you the Secretary of the Treasury's statement on May 3 as reported in the Washington Post business and finance section. "Fowler Warns of Import Ballooning," article by Hobart Rowen and—this must be a Frenchman—David Fouguet. Is he here? Fouguet. Anyway, "Treasury Secretary Henry H. Fowler conceded yesterday that the chief worry"—I use his words—"on the balance-of-payments front is that imports are increasing faster than exports, thus reducing the U.S. trade surplus."

Is that a fair statement now?

Mr. SMITH. I certainly would not argue with Secretary Fowler's statement.

(The article referred to follows:)

[From the Washington (D.C.) Post, May 4, 1966]

FOWLER WARNS OF IMPORT BALLOONING

(By Hobart Rowen and David Fouguet)

Treasury Secretary Henry H. Fowler conceded yesterday that the chief worry on the balance of payments front is that imports are increasing faster than exports, thus reducing the U.S. trade surplus.

At a Chamber of Commerce luncheon, Fowler said that imports were gaining, on an annual rate basis, about one and one-half times as fast as exports.

Fowler's fellow panelist, Robert S. Stevenson, chief executive officer of Allis-Chalmers Manufacturing Co., put the matter in even more blunt terms.

" . . . the (export) race is running against us," Stevenson said. "From 1960 to 1965, America's export sales increased 35 per cent, but during the same period, industrial Europe's impoved by 54 per cent."

Earlier this week, the Federal Reserve Board's annual report warned that further substantial improvement in reducing the U.S. payments deficit would have to come from larger exports, rather than reduced capital outflows.

In related activities:

● A Chamber panel agreed unanimously that the business community has much at stake in efforts to reduce poverty. Walter E. Hoadley, senior Vice President of the Bank of America, urged businessmen to take an active part in local anti-poverty campaigns.

● A group of 60 textile industry leaders, after a meeting with Commerce Secretary John T. Connor and Economic Adviser Gardner Ackley agreed to co-operate "in every possible way" with a request to hold their prices down. On Monday, Ackley had told a Chamber lunch that price and profit restraint by management was essential to ward off inflationary wage demands.

The main burden of Fowler's speech was a lengthy defense of the Administration's program calling for voluntary restraints on investment abroad.

This program has been widely criticized in the business community as "killing the goose that lays the golden eggs"—meaning, of course, the loss of future earnings from investments abroad.

Fowler's defense is that the temporary need to shave the balance of payments deficit is the over-riding consideration.

"We believe," he said, "the immediate benefit to our balance of payments from a moderate rate of capital outflow in this period of pressure warrants some loss of benefit in the future, when our overall balance of payments position is expected to be stronger."

Richard C. Fenton, president of Pfizer International, Inc., a major drug firm, snapped right back at Fowler:

"A fundamental principle," he said, "is that in order to export most products successfully, you have to set up an operating business abroad—that is you have to make direct investments," he said.

Fenton added that if a choice had to be made between losing gold and acquiring plants overseas, "the choice should be for the plant."

Both Fowler and Stevenson agreed that the answer to beefing up the U.S. trade surplus lies in expanding exports. Stevenson suggested that businessmen put behind them their traditional opposition to "Government assistance," and urge the Government—with loan programs and other incentives—to match what other Governments do to help their exporters.

"The businessman's role," Stevenson said, "is clear. It's simply to sell more merchandise. What a pleasant task."

During the session on poverty, Hoadley said the demand for greater business leadership in this and other social areas has never been higher and seems certain to increase.

He added that executives should be prepared to lend assistance to make Government poverty programs more effective, because "they will not go away, and they pose a major threat of economic waste if not administered properly."

Thomas H. Coulter, chief executive officer of the Chicago Association of Commerce and Industry, expressed confidence that businessmen could make important contributions toward alleviating poverty, especially through training programs.

The other member of the panel, Columbia University professor C. Lowell Harriss, credited business, in its role as a great producer of goods and services, for having reduced poverty.

"By and large," Harriss said, "what is best for the company will be best for the public as a whole."

The meeting with the textile industry, held at the Commerce Department, was described as one of a series of "low-key" efforts to maintain a stable price line. Both Ackley and Connor have participated in this effort, sometimes jointly, sometimes separately.

Senator HARTKE. All right.

Now that we have gotten the fact——

Mr. SMITH. Can I say one thing?

Senator HARTKE. Yes, sir.

Mr. SMITH. Just to put it in perspective. I was just noticing at lunch looking over some figures, that taking the first quarter—and again I do not want to draw too much conclusion from the first quarter—but our exports, the annual rate of our exports, total exports, not talking about steel, but our total exports for the first quarter of this year were 8 percent higher than our exports for 1965.

Senator HARTKE. How much were imports though?

Mr. SMITH. The trouble was that imports were up 12 percent.

Senator HARTKE. I understand that.

Mr. SMITH. So that we are maintaining a very good rate of exports.

Senator HARTKE. What is it on the basis of the first quarter re- was the balance of trade in 1964?

Mr. SMITH. $6.7 billion.

Senator HARTKE. I think $6.9 billion; is that not correct—$6.7 billion—what was it in 1965?

Mr. GRIFFIN. $4.8 billion.

Senator HARTKE. What was it on the basis of the first quarter returns in 1966?

Mr. SMITH. $4.4 billion.

Senator HARTKE. $4.1 billion.

Mr. SMITH. That is the difference.

Senator HARTKE. $4.1 billion. Do you want to say $4.4 billion?

Mr. GRIFFIN. Yes, sir.

Senator HARTKE. Then there is a variance between yourself and Secretary Fowler's statement at noon today which was $4.1 billion.

Mr. SMITH. There are some adjustments, depending on whether you are looking at it from a balance-of-payments standpoint.

Senator HARTKE. No; I talk about balance of trade. I do not want to talk about balance of payments. I want to talk about them but let us just keep it balance of trade. You just said in the balance-of-trade situation we were doing very well.

Mr. SMITH. No; I said our exports were doing very well.

Senator HARTKE. They are not doing very well when compared to our imports though.

Mr. SMITH. That is right.

Senator HARTKE. That is right. This is exactly what I am talking about. This is the problem.

Mr. SMITH. Yes.

Senator HARTKE. Let us come on back to some of your statement. You have in your statement, and I would take page 3:

> It might be concluded that the purpose of such a study would be to establish a basis for restrictive action against steel imports.

Do you find that any place in the resolution, any statement that infers that whatsoever?

Mr. SMITH. No; there is no statement.

Senator HARTKE. Where do you draw such a conclusion? Where did you make this prejudgment? I did not prejudge it.

Mr. SMITH. I was stating what might be the interpretation placed abroad on a study that was focused——

Senator HARTKE. Where would some foreigner——

Mr. SMITH (continuing). On imports.

Senator HARTKE. Sure, I can understand somebody might put an interpretation on it. Do you mean to say you do not trust our own Government to be factual and objective in such a report?

Mr. SMITH. No, indeed. No, indeed.

Senator HARTKE. What is that based on? Why did you put that in the statement? That is in here several times.

Mr. SMITH. Well, I think this relates to my point that a meaningful study, we think, in terms of looking at what the problem of the steel industry is, should take into account all of the many factors which have any effect, and that a resolution couched in terms—couched in terms solely of imports could be misinterpreted as something that was designed to establish the basis for restrictive action.

Senator HARTKE. Well now, there is not nearly the chance of misinterpretation of the resolution as there is a statement by a member of the administration coming in here and giving an interpretation of this sort. Maybe such an interpretation would never have been considered except you came on in and gave it. Is there some basis upon which you gave such an interpretation?

Mr. SMITH. Well, the only basis——

Senator HARTKE. Have you read the resolution?

Mr. SMITH. Yes, sir; sure, certainly.

Among others, this was a concern expressed by Secretary Herter's office.

Senator HARTKE. Secretary Herter did not write this, and if Secretary Herter would come on back here and explain how much success he has had in Europe, I would be very much interested in that, too. You are going to have the Trade Expansion Act before this committee, and we are going to have a report from him. We are going to see what type of results he has had. I do not think they have been very good. I might tell you now, I think he is going to have a lot of explaining to do.

Let us come on back. Let me ask you, this is in this resolution on page 2:

> *Resolved*, That the President is requested to cause a study of imports of steel products to be undertaken—

That is the way it is written—

> by the Department of Commerce, utilizing other appropriate Federal agencies with particular respect to—

And I am going to read this part which deals with you and you tell me how you can take such a peculiar interpretation of these words which read—

> the impact of such imports upon the maintenance of equilibrium in the balance of international payments of the United States.

Now, can you tell me if a person reads that, and just in those terms, how he can say that he can prejudge it in your words "that it leads to the contemplation or initiation of counterrestrictions on the part of major foreign steel producers or that it might be concluded that the purpose of such a study would be to establish a basis for restrictive actions against steel imports"?

Mr. SMITH. I think points 1 and 2 would be more susceptible abroad to that interpretation——

Senator HARTKE. Let me tell you this, let us take point 1, the possibility of "unfair, below-cost pricing of steel mill product imports to the United States." Are you in favor of unfair, bellicose pricing of steel mill product imports into the United States?

Mr. SMITH. No, indeed.

Senator HARTKE. That is what it says. You can put any interpretation on it you want to, but you are the ones who are prejudging this material, not me. How can you be—you really say that you are in favor of interpreting the word "unfair" to mean "fair"?

Mr. SMITH. No, indeed. It is in singling out these things as bases for this study.

Senator HARTKE. I grant you that you can have all types of reports, but the fact of the matter is, if you wanted to have a judgment, we could have had hearings upon these matters without the benefit of a study being made by the administration. There is nothing to preclude us from doing just that. Maybe that is what we should do. Would you recommend that?

Mr. SMITH. I would certainly not recommend against anything that your committee wanted to hold hearings on. It is certainly your province.

Senator HARTKE. On page 5 you say there:

We believe the improvement in the competitive situation of the United States steel industry will be dependent essentially not upon more restrictive actions against steel imports—

Which is another prejudgment implication—

but upon the relative success of our efforts to hold down costs and prices in our domestic economy.

Then you go on to say:

It will also be dependent, significantly, upon the success of the steel industry's efforts to improve productivity and to make more vigorous efforts than heretofore to expand markets abroad.

Now, can you give me any idea as to the offers being made now by the Common Market to reduce their steel tariffs at the present GATT negotiations in Geneva?

Mr. SMITH. I really do not know anything about that.

Senator HARTKE. In fact, are their duties not over 100 percent higher than ours and that they have made no offer whatsoever to reduce them?

Mr. SMITH. I am sorry, sir, I do not really know that situation.

Senator HARTKE. Do you not think such a factor would be important if we could develop such facts in the study and if they did prove to be true it would be something to be considered by our Government?

Mr. SMITH. Yes, indeed. I think our Government in selecting its negotiating list of items it wants concessions on and items it is preparing to make concessions on should take full account of the impact of these negotiations on domestic industry.

Senator HARTKE. Just how do you propose then, if we are going to be able to increase our exports into the Common Market, when we are not in a position to even know what the facts are in regard to their tariff situations and their intentions to negotiate in the Geneva Conference? Do you see what I am telling you? I am not trying—I know it is a rhetorical question, but what I am telling you in substance is that there is a need for the development of the facts, and I do not know why we are so hesitant to face up to the truth in this country any more. It seems like this is an obsession with us, we are afraid of facts.

Mr. SMITH. While I do not have the information, I have a feeling that the U.S. steel industry has—that there is a considerable amount of that information available. Of course, as I said, I am not an expert on steel.

Senator HARTKE. What are we doing with this information that is available? Are we doing anything with it? What recommendations have been made in regard to this information which is available; any?

Mr. SMITH. I do not know what has been recommended with respect to steel, no.

Mr. DAVIS. Mr. Chairman, one thing that bothers us somewhat is possibly we do not feel that all of the avenues have been explored yet for an easier type of information-seeking hearing or study, and we do think that the Tariff Commission is one group that should be asked to make a study of this and which they could do so very promptly. The type of study that you are speaking of, I think, is something that would probably take several years.

Senator HARTKE. Well, the Tariff Commission, have they proceeded to start on anything like this?

Mr. DAVIS. I believe they have done some studies of this type before. I am personally aware of one that they did on the Swiss watch industry of American watch industry.

Senator HARTKE. Yes; I understand that. I know that, but I want to know what they have done in steel. What, if anything, have they done in steel? Have they done anything in steel?

Mr. DAVIS. I do not believe they have, or at least I am not aware of it.

Senator HARTKE. There is no reason why, if they have this information, it could not be made available to whatever—ultimately, whatever group is going to do this study whether it is the Commerce Department or others—if the Tariff Commission has some facts which would be helpful and you have facts which would be helpful.

The Commerce Department indicated they had facts which would be helpful, what I would like to see is this thing pulled together to see where we are.

Mr. DAVIS. I do not think any good American has any objection to a study in depth of any industry where it can be beneficial to our Government, our citizens, and certainly to our balance of payments.

Mr. SMITH. Mr. Chairman, there was one comment I wanted to make back aways, if I could make it right now——

Senator HARTKE. Yes, sir.

Mr. SMITH. It was when you were referring to these foreign—new foreign steel mills being able to make and sell cheaper. I personally have great confidence when a market——

Senator HARTKE. I did not say they could sell cheaper. I said they probably would not be competitive, but they might sell their steel cheaper even though it costs them more to produce it. That was the point I was making.

Mr. SMITH. I was going to give the opinion, when the market is there over time, I have confidence that U.S. industry, including the U.S. steel industry, can outproduce, in spite of cheap labor and anything else, can outproduce and outsell producers anywhere else in the world. We always have been able to, and I think we will.

Senator HARTKE. I think, if you will pardon me, I think this sort of blind faith in the American competitive position is what leads us to some of our troubles. By the time we find out what the truth is it is too late. I mean just to say that America can do everything better is not enough. This is what led us to this great shocking experience called Sputnik. We all of a sudden woke up one day and found out that somebody had done something we had not done, and they did it first. Then we made a great drive and we have recaptured the loss that we had. The point of it was that in fact and in truth we sort of believed we were the leaders of the world and all of a sudden one morning America was really shocked.

I do not want to find ourselves in that situation here. I would rather go ahead with a study. I am not going to prejudge what it is going to do. Let the facts come in front of us rather than to say that America has always done well in the past and therefore we can always do well in the future.

The truth of it is that if you want to look at the past, we have not always had this percentage of the market here in the United States coming from foreign industry. It is increasing, and it is increasing this year. I do know that one of the factors to which we attribute the difficulties of last year—that the administration is saying was a major factor in our balance-of-payments deficit—was the increase in the steel imports. That was reaffirmed to me again by the Secretary of the Treasury today, and I am not saying anything out of school. I am just saying this is a fact of life, and it is foolish not to face up to it if it is there.

Now, if the steel industry had been the only situation, and if you had had a reversion to the previous rates before that, that would be something. But you yourself in your statement acknowledge that it is in the neighborhood of close to $900 million, which is almost three times the equivalent of what it was in the first quarter of 1965 by comparison. So I mean what happened here is just as they have always done in these markets. First they move in with the low-priced items and then gradually move into the higher priced items. When they move in, they move in in periods of strike, but they capture a portion of the market in the United States, and they never relinquish it. They do the same thing in the rest of the world, and this is why I want you to know why I am so vitally interested in a complete elimination of this voluntary program which makes American industries live on American markets.

I know there has been some expansion. What you have said in substance is this: that there has not been a complete withholding of investments of capital overseas and that it has increased. In your statement you say that. But it did not increase, you say, at the rate that it did before, which is all very true. But the point of it is that I do not think that Americans are going to go ahead and invest in items which they think are not productive and in which they cannot sell in the foreign markets. They would return their earnings which they made from those markets overseas. But now we will crawl back somewhat into the shell, although not completely. We still have our head out and all four feet like the turtle, but we are still not doing what a proud nation and what a powerful nation and what a competitive nation should do. We should enter into the free trade of the marketplace and let our capital be in free trade as well as our goods. You do not have a free trade of capital now. That is what is happening. We have really cut back in this field.

What I am trying to do is change your mind. If I can get you to change your mind, then I will feel we can at least be back into the race. I do not think we can live alone.

Now, here are some figures which I am not going to ask you to question as the good staff member did, but I am going to give you his statements here.

The ratio of imports of certain items to U.S. consumption, in barbed wire it is 48 percent. As you have indicated barbed wire at the present time is a vital factor in Vietnam.

Steel fencing, 23 percent. Nails, 41 percent. Bale ties, 37 percent. Wire rods, 17 percent. Reinforcement bars, 12 percent. And we have statements here from some of these good financial writers from the Wall Street Journal and the New York Times and all these other good papers, the Journal of Commerce, in which they show how they have grabbed and moved into, gradually, other items. That is why I would like to find out where we are going. Instead of being so apprehensive about us up here on Capitol Hill, just remember, we are as interested in the future of the country as you are. Maybe we do not have all the brains and as big a staff as you have down there, but we will try harder.

Mr. SMITH. I should say this, Senator Hartke, that you are certainly very persuasive.

Senator HARTKE. I am not trying to be persuasive. I am not interested in that.

I want to thank you for coming.

Mr. DAVIS. Thank you, Mr. Chairman.

Senator HARTKE. Mr. Harry Weiss, Deputy Assistant Secretary of Labor.

STATEMENT OF HARRY WEISS, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, DEPARTMENT OF LABOR; ACCOMPANIED BY ROBERT SCHWENGER AND MARVIN FOOKS, INTERNATIONAL TRADE STAFF

Mr. WEISS. Mr. Chairman, I have with me Mr. Robert Schwenger, and Mr. Marvin Fooks from our International Trade staff. I would like, if I may, to read a brief prepared statement.

Senator HARTKE. Yes, sir.

Mr. WEISS. Mr. Chairman, we appreciate the opportunity to present our views on Senate Resolution 149.

The steel industry is a basic one in the U.S. economy. Its welfare affects the rest of the economy substantially. Therefore, it is appropriate that its problems, including its import problems, be given special consideration as a matter of national interest.

Senator HARTKE. Let me say to you and interrupt you there. I am thankful that somebody in one of the departments of the Government finally recognizes that there is a problem, and that it is of concern to the Federal Government. I would like to let the chips fall where they may, if they do adversely, to the two previous departments. I think it is high time that the Federal Government started being interested in the future of the United States.

Mr. WEISS. The Labor Department is, of course especially concerned regarding any developments affecting employment opportunities in the steel industry.

In April 1966, average wholesale prices for steel mill products were 1.3 percent higher than they were in April 1965 and steel employment, shipments, and industry profits are at levels which approach the record levels that existed at this time last year when steel consumers were building up inventories in anticipation of an industrywide work stoppage. Statements of industry spokesmen that have appeared in the press, forecast that 1966 is likely to be a very high year for shipments. Nonetheless, industry spokesmen do not expect imports to supply as large a share of the market as they did in 1965.

The import trend this year is the kind of response which might be expected in the face of an expanding market and a strong economy. For most processed-steel products needed in the U.S. economy—and I will mention the nature of the exceptions in a moment—steel users appear to turn to imports not only on the basis of price but as a supplementary source of supply when domestic suppliers cannot meet delivery requirements.

There has been some upward trend in imports of the less highly processed steel products. If, in the committee's judgment, this import situation indicates that there is a long-term problem, a broader study than contemplated by Senate Resolution 149 might be appropriate. Such a study would probe in depth the factors which determine the relative competitiveness or noncompetitiveness of the domestic steel industry and the foreign suppliers of U.S. imports.

Let me cite certain facts regarding imports and their relation to domestic operations. The 1965 increase in imports appears to have been due largely to conditions of rapid economic growth in the United States and the uncertainties created by anticipation of a major steel strike in 1965.

As the Commerce Department data show, the imports although consisting of many types of representative steel mill products, are most significant for the less highly processed wire and wire products and semifinished products. Recently the domestic industry reduced prices on low-carbon wire rods and withdrew their price lists on common quality wire rods and nails. These price changes may inhibit the further increase of the shares of imports in these markets.

The postwar experience suggests that steel imports tend to increase as a share of the domestic market particularly under conditions and circumstances that make it difficult and costly for the U.S. industry to supply domestic steel users with their steel requirements within a reasonable period of time.

In 1959 when the domestic steel industry was idled as a result of a dispute between labor and management, imports increased their share of the market from 2.9 percent in 1958 to 6.1 percent in 1959. During the economic upswing that began in 1960 and which, after a slowdown in 1961, has continued strongly since 1962, imports have gone up and down with domestic ingot production and shipments of finished steel products. Between 1960 and 1964, domestic ingot production and shipments of finished steel products increased at annual averages of 4.4 million tons and 3.5 million tons, respectively. In the same 5-year period, imports of steel mill products increased an average of 765,000 tons a year and exports increased slightly, by an average of 76,000 tons a year.

In the 1961 downturn, on the other hand, domestic ingot production and shipments of finished products were down 1.3 million tons and 5 million tons, respectively; steel imports were down 196,000 tons and exports down 987,000 tons from the preceding year.

Currently, domestic production continues at high levels, and the employment situation is relatively tight in spite of the fact that there has been a long-term decline in employment because of rapid productivity increases. Current employment levels and hours worked per production worker are less than they were a year ago at this time but are generally higher than levels for the same period in the years 1960–64.

Total employment for the first 4 months of 1966 averaged 633.2 thousand workers, down from the 665.4 thousand average for the first 4 months in 1965 but up from the average levels for the same months in 3 of the 4 preceding years.

Senator HARTKE. Let me interrupt you there. Up percentagewise or numerically?

Mr. WEISS. Numerically.

Senator HARTKE. Well, you really point with pride to the numerical increase.

Mr. WEISS. I am not pointing with pride. I am just reporting facts.

Senator HARTKE. Well, with an increase in the labor force, do you not think it would have been more fair to have done it percentagewise?

Mr. WEISS. Well, not every industry increases, and this is one that is not increasing on a long-term basis because of productivity changes primarily.

Senator HARTKE. I understand, and is not likely to.

Mr. WEISS. It is not likely.

Senator HARTKE. That is right.

Mr. WEISS. That is right.

Senator HARTKE. So what is the significance of these facts then?

Mr. WEISS. Well, they are reporting on the status in recent years of the employment situation. We think it is a significant fact.

Senator HARTKE. It is significant for what though?

Mr. WEISS. Well, on the status of the industry. It is certainly——

Senator HARTKE. The status of the industry is quite obvious. You and I both agreed that employment is not going to basically increase here. So what is the significance to the matter before us?

Mr. WEISS. Well, one, obviously, if imports had a drastic effect on the industry employment might fall down, drop down drastically. The figures show that it has held fairly stable with a slight increase over the past few years.

Senator HARTKE. Let me show you again. I just want to demonstrate the point that you are pointing out with a great deal of—well, let me say you are pointing out, so I do not prejudge what you are doing, what your intentions are—that there was an increase in the first quarter of 1965. When you pointed out the increase in the imports in that period of time, you pointed to the fact that there was the anticipation of a steel strike.

Mr. WEISS. That is one of the factors we believe.

Senator HARTKE. Was that not one of the factors of an increase in employment, too?

Mr. WEISS. Conceivably.

Senator HARTKE. It is not conceivable. Now, the truth of it is that it has to be because there was not an increase in consumption of that proportion, and there was not a decrease in productivity.

Mr. WEISS. There was an improvement in productivity.

Senator HARTKE. An improvement in productivity. So what this was was that it was just the whole point, they were producing more in anticipation of a strike, so they employed more, that is all there was to it.

Mr. WEISS. Senator, I was not trying to draw any value judgments here. The real point I was about to make is to show the changes in employment as compared to changes in production, which show a high increase in productivity in an industry——

Senator HARTKE. I think we can agree there is a high increase in productivity. I do not think there is any question about that in the steel business.

Mr. WEISS. That was the point of the next sentence I was about to make, that between 1960 and 1965, when annual employment increased on the average by less than 2 percent, the increase in productivity was such that the industry was able to produce 33 percent more steel ingots.

Senator HARTKE. I think it is commendable.

Mr. WEISS. I think it is commendable, and I think it does show the improved competitiveness of the industry also.

Senator HARTKE. Let us come on back to that though and see. We had in 1965, 10.4 million tons of foreign steel mill products which were imported into the United States. Now, a meaningful thing to me in relation to what is going on is how many United States jobs would it take to produce 10 million tons of steel here.

Mr. WEISS. We could get that, we could get an estimate on that.

Senator HARTKE. I think maybe—all right.

Mr. WEISS. I would be happy to do that.

Senator HARTKE. Would you supply that for us?

Mr. WEISS. Yes, indeed.

Senator HARTKE. Maybe we can get that from Mr. Bernstein in a few moments. He might be able to give it to us. You keep it in mind.

Mr. WEISS. He would probably come to us for it.

Senator HARTKE. He will come to you for it?

Mr. WEISS. I am not sure.

Senator HARTKE. Well, I do not care. I trust you, I am not questioning you, doubting you. I would just like to know.

Mr. WEISS. We will be glad to give an estimate on it.

(The information referred to follows:)

In order to produce in the United States the 10.4 million tons of steel-mill products imported in 1965, the U.S. steel industry would have had to use a hypothetical additional 56,000 employees, counting both wage earners and salaried employees, and estimating at the average rate of output per employee in the industry in that year.

This figure is necessarily hypothetical since no allowance has been made for the number of U.S. jobs that would have been added or abolished because of other changes in economic quantities that would have resulted if there had not been imports of the 10.4 million tons of steel products in 1965. For example, there would have been changes in United States exports, in prices of steel products, in steel consumption at the changed prices or delivery schedule, in the steel industry demand for materials and services, in retail sales to workers employed or disemployed, and in other related activities.

Mr. WEISS. For the first 4 months of 1966 production workers averaged 40.7 hours of work per week, less than the average number of hours worked for the same period in 1965, but more than the average hours worked during equivalent periods in the years 1960–64. Similarly, average overtime hours worked totaled 3.3 hours for the first 3 months of 1966, equal to the same period in 1965 and greater than overtime worked in equivalent periods in the years 1960–64.

Senator HARTKE. The whole truth of it is, you have the same basic problem involved, you had the anticipation of the steel strike. If this had been talked about imports, this is exactly what you would have said. In fact, it is what you did say.

Mr. WEISS. Well, the figures I am giving you are 1966 figures compared with 1965.

Senator HARTKE. I understand that. The 1965 figures are an abnormal situation. The only comparable period would be 1959.

Mr. WEISS. Well, my emphasis here is really on the figures of the first 3 months of 1966, in comparison with previous years.

Senator HARTKE. Why do you not compare 1966 to 1963?

Mr. WEISS. Well, I have.

Senator HARTKE. No. You compared 1966 with 1965, which was an abnormal year.

Mr. WEISS. Then I went on and said greater than overtime worked in the equivalent periods in the years 1960–64.

Senator HARTKE. All right.

Mr. WEISS. What I am trying to do——

Senator HARTKE. I think it is quite obvious that 1965 is not a fair comparison. That is all I am trying to say; really in all good common judgment you should take that out of the picture. It is not a fair comparison. I have not tried to say that 1965 in the total imports is a fair comparison either, for the very simple reason that it is not. It is an abnormal situation.

Mr. WEISS. I have no quarrel with that. I think if I had left 1965 out somebody might say, "Why did you not mention 1965?" I am not trying to give any judgment on it.

Senator HARTKE. Well, I would not have.

Mr. WEISS. There have been some random reports from several steel producing areas—Wheeling, W. Va.; Middleton-Hamilton, Ohio; Gary-Hammond-East Chicago, Ind.—of steel companies having difficulties in recruiting unskilled workers. There are no indications of general labor shortages in the major steel producing areas.

During the period 1960–65, output per man-hour for all employees in the steel industry increased an average of about 4.4 percent a year while employment cost per man-hour increased at a slower rate of about 3.5 percent a year. Consequently employment cost per unit of output has declined about 1.2 percent a year during that period. In fact, employment cost per unit of output has dropped in every year from 1960 through 1965 except 1961 when there was a decline in steel production. These trends indicate that the domestic industry has probably lowered its unit labor costs as it increased its capacity and output.

To recapitulate, it appears that 1966 imports will supply a smaller share of the U.S. steel market than did 1965 imports, partly as a result of the industry's ability to supply American steel users from expanded and modernized facilities and because there is little prospect of any important work stoppages. Imports supplied about 8.5 percent of domestic consumption in the first quarter of 1966 as compared with 10.3 percent for the full year of 1965.

Mr. Chairman, in our view, present conditions do not appear to require the study suggested in Senate Resolution 149. However, should the committee conclude that conditions justify an analysis in depth of the conditions of competition in the world steel industry, it may be more appropriate for the study to be conducted by such agencies as the President may designate.

Thank you, Mr. Chairman.

Senator HARTKE. Well, we have a unified approach from the administration. They do not want to know the facts.

Thank you. We will see if we can get them from the other side. Thank you. I have no questions.

Mr. WEISS. Thank you very much.

Senator HARTKE. Dr. Roberts, you may proceed, sir.

STATEMENT OF GEORGE A. ROBERTS, REPRESENTING THE TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE, ACCOMPANIED BY THOMAS SHANNON, WASHINGTON COUNSEL

Mr. ROBERTS. Thank you very much, sir.

Mr. Chairman, my name is George A. Roberts. I am president of Vasco Metals Corp., Latrobe, Pa., and I appear today as a representative of the Tool & Stainless Steel Industry Committee. I am pleased to have this opportunity. Our committee is an informal association of 17 U.S. producers of specialty steels all having an interest in problems in the international trade area. Attached to this statement is a list of our membership. I have with me Mr. Thomas F. Shannon, Washington counsel for our committee.

I don't want to keep you in suspense. Keep to your guns. We favor a congressional study of imports of foreign steels, and will help the study group in any way possible.

We submit our comments to this committee as a distinct and individual industry with different characteristics than tonnage steel. However, like the tonnage producers, we feel the impact of ever increasing imports of foreign steels; like them we favor a congressional study of imports and will help the study group in any way possible. Our raw materials, technology, products, markets and applications are completely different from those of the tonnage steel industry. Furthermore, the effect of massive specialty steel imports is more serious to the United States than would be apparent by observing only statistics on total loss of employment or foreign exchange in the steel industry. Our skills in innovation, science, and technology are at the forefront of materials progress and must be retained with strength.

While Senate Resolution 149 focuses on the problem of steel imports in general, I wish to make it clear at the outset that the specialty steel industry is concerned lest its particular position as a distinct industry be submerged in the context of the total steel industry at this hearing, or in a study of steel imports. As a precaution against this possible oversight, this testimony focuses on the import problem with specific reference to the specialty steel industry.

Our steels are high-alloy high performance steels. They are stainless steels. They are tool steels. They are many other alloy steels. They contain large amounts of chromium, nickel, molybdenum, vanadium, tungsten, cobalt, and other elements which make them extremely resistant to corrosion and to wear, give them a high degree of toughness and strength, and enable them to do jobs which carbon steels cannot do. The metallurgy of specialty steels is complex and delicate, their applications are exotic. Our labor force is highly skilled, our marketing men are engineers, our research and development have always been sophisticated far beyond that of tonnage steel producers. Our products are tailor made for critical and specific applications, many of which require only small quantities. We thus fill a need for meeting the demands of national defense, of new science, of engineering and technology, by having available a capacity for an infinite variety of special steels to be supplied as needed. Not to be overlooked, in view of the critical importance of the specialty steel industry, is its ability to create and manufacture the exotic and vital newer materials, titanium, zirconium, super-alloys, for high temperature service, cobalt and nickel alloys, for magnetic and electrical uses, and a host of other rare yet nonferrous items. The use of the available capacity and skills of the specialty steel industry has saved this country years of development time and millions of dollars of capital expenditures.

I. CHANGING PATTERNS OF WORLD TRADE IN SPECIALTY STEELS

World War II is the watershed between two distinct periods in world trade in specialty steels. The prewar period witnessed the birth and full development of the specialty steel industry—one of the many new industries created in the 20th century. During this period, the production of specialty steels was confined to the industrialized nations. Prior to World War II, the United States was the largest producer and supplier of specialty steels in the world.

The postwar period, on the other hand, has brought some dramatic changes to world trade in specialty steels. To begin with, more nations are becoming specialty steel producers. This expansion is no longer confined to the industrialized countries.

The No. 1 objective of all foreign specialty steel producers is to move toward greater self-sufficiency, striving for reduced dependence upon imports.

Most of the foreign specialty-steel-producing nations, because of limited home markets or dependence upon trade, have increased their production capacity beyond home market demand for the express purpose of entering the export market. The world market for specialty steels has become congested and competition is increasingly intense. Therefore, to encourage exports, foreign specialty steel producers receive massive government assistance in terms of government subsidies, tax rebates, and other incentives to expand their exports abroad. For example: A French steel manufacturer which exports 25 percent of its annual production thereby becomes eligible for special financial benefits. In some countries in Europe the government subsidizes the importation of labor in order to increase productive capacity, a substantial portion of which enters the world export market. Austrian exports of specialty steels are directly subsidized by the Government, which owns and operates specialty-steel-production facilities. On the other hand the domestic markets of these same foreign producers are protected by an elaborate network of tariff and nontariff trade barriers. As a result, competition in specialty steel in the world market has resulted in the marked deterioration of U.S. exports abroad.

Thus, the changing patterns in world trade in specialty steels have created two serious problems for our industry—the threat of severe injury from massive imports at home, and the continual erosion of our markets abroad.

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II. THE PROBLEM

The main problem confronting the specialty steel industry is the maintenance of a favorable economic climate in which the growth of the domestic industry will continue. Today, the economic climate and health of the domestic specialty steel industry are jeopardized by ever increasing quantities of imports. Imports can make a positive contribution to the economy and to the domestic industry when they are in balance with domestic production. Balance provides the economic stability necessary for the orderly competitive marketing and expansion of the domestic market for specialty steels from which both the importer and the domestic producer will benefit. Imbalance between imports and domestic production on the other hand can impair the economy and disrupt the domestic industry. Disruption from excessive imports is a poignant and recognized problem in international trade. Even the General Agreement on Tariffs and Trade, which is one of the most progressive tools for trade expansion, provides safeguards against dangerous imbalances in trade which occur from time to time. Today, such a problem exists in the United States from the massive and excessive importation of specialty steels.

It would be a positive step by this committee if it could emphasize publicly the dangers to our international posture and national strength through an investigation of the conditions leading to those massive imports. It would be a black mark upon us and the man under whose name the current round of negotiations at Geneva are being conducted if they should lead to a loss of national strength—of our international image and prestige in years to come. Your study may serve to permit the Congress to focus intelligently its thoughts for the coming year on the special efforts of imports on certain vital industries or segments of larger industries or on the scientific talents and innovative skills of its leaders, researchers, and workers. These problems deserve your attention if America is to retain its world posture.

A. IMPACT OF SPECIALTY STEEL IMPORTS

Turning now to imports of specialty steel into the United States.

Between 1959, when imports made their first significant appearance in U.S. markets, and 1965, the quantity of specialty steel imports has increased on an average of 65 percent a year, whereas in comparison domestic shipments have advanced only 7 percent annually.

In 1965 imports of stainless steel were 113,000 tons, as contrasted with 80,000 tons in 1964 and only 8,000 tons in 1959. Domestic market penetration by imported stainless steels has risen during this period from 1 percent to 13 percent. Imports of stainless steel sheet were less than 1 percent of domestic shipments in 1954; and are 16.8 percent in 1965. Tool steel imports have increased equally dramatically, reaching over 10 percent of domestic shipments in 1965. High speed tool steel imports trebled in the first quarter of 1966; compared to the first quarter of 1965.

In 1959, the bulk of stainless steel imports sold in U.S. markets were wire rods, wire, bars, and pipe. By and large, all of these products with the exception of pipe, while requiring a relatively high labor content, are "unsophisticated products" and are relatively easy to finish and handle in a technical sense. Now, there has been a significant change in the product mix of imports, and the heaviest concentration of imports is in the sophisticated and flat rolled products—sheets, strip, plates—which are the bread and butter products, or the lifeblood of our industry, and in some cases they represent the total area of concentration of individual U.S. companies. Once imports strike a crippling blow to the basic product lines which keep the industry and individual companies going, it is tantamount to undermining the growth and stability of the domestic industry.

B. BALANCE OF TRADE

Within the specialty steel industry, a favorable balance of trade was maintained until 1964. In that year, the Department of Commerce figures disclose an export surplus of identifiable tool and stainless steel of 16,716 tons worth $28 million. In 1965, with additional breakouts for better identification of specialty steel exports, this had fallen to $13 million in value but imports exceeded exports by 20,416 tons. In the first 4 months of 1966 the figures show a deficit of 27,754 tons and a dollar drain of $11 million. This is $33 million annually or a swing in 2 years of $61 million in our balance of payments. Considering tool steel alone, imports have exceeded exports in both tonnage and dollar value for more than 4 years. This trend should prove alarming to responsible thinking people in government.

The significance of this deficit to the national balance of payments is crucial. First, the amount of the deficit, and of future deficits, is substantial. Second, discrimination against exports of domestic specialty steels by foreign producing countries, which is unlikely to be eliminated, tends to limit the expansion of exports, which could offset imports to some degree. Third, the outflow of capital to pay for imports represents substantial potential claims abroad on the American gold reserve. Fourth, while the specialty steel industry is only one component of the total national balance of payments, the balance of trade deficit in specialty steel adds to the severe drain on the balance of trade surplus of the United States, which is steadily diminishing. Foreign steel producing countries are relying on steel as a major source of foreign exchange.

To gain a proper perspective, we should add that it has been estimated that 75 percent of specialty steel exports have been under the AID programs and do not make a contribution to the balance of payments.

Behind these figures, several disturbing and major trends are evident.

1. The total quantity of special steel imports continues to spiral upward. This is a long-range problem. There is every reason to believe that, short of major disruption in the world supply of specialty steels, the trend of rising imports will continue.

2. Imports of all specialty steel mill products have captured an ever-increasing share of the domestic market and are now causing significant injury to the industry.

3. Imports of certain specialty steel mill products have increased at an especially alarming rate.

4. There is no evidence that the excess of world capacity in specialty steels will be decreased in the foreseeable future. Therefore, there will be substantial quantities of "relatively low-cost" foreign specialty steels available for importation into the United States.

5. Imports have a faster rate of growth than domestic shipments. Diminishing exports and home market import penetration threaten the ability of the domestic specialty steel industry to maintain present operating levels and to meet investment and innovation objectives of the future.

6. Contrary to the situation in 1959, the high levels of imports of specialty steels in 1965 was primarily the result of increasing market penetration by imports rather than the result of a strike threat as many importers would have one believe. Availability of supply was not affected to the same degree as in carbon steels, and the necessity for extensive inventory buildups was less, since more than half of the specialty steel industry was not part of the major industry bargaining unit. However, experience has shown that imports retain the inroads made into our market even under stimulation of a strike threat.

III. IMPORTANCE OF THE SPECIALTY STEEL INDUSTRY TO THE NATIONAL SECURITY

Specialty steels are vital to the security of the United States. Encouragement of the present rate of increase in imports of these products will make the United States dangerously dependent upon foreign supply, which would prove highly unreliable in the event of a national emergency. The particular importance of specialty steels to our defense effort is attributable to the unique capabilities and qualities of these steels. Specialty steels, because of their varied high-alloy content, and unique properties, have myriad important applications. Some can remain stable at high temperatures, some have extraordinary toughness, particularly at low temperatures, some have high resistance and high-temperature strength. These unique qualities have made specialty steels an integral part of the defense program of the United States.

A list of strategic products which are dependent upon specialty steels would include: missile and rocket frames and parts, airplane structures, atomic reactors, jet engine turbine blades, ball bearings, oil refining equipment, and cutting tools and dies. Not only is the Apollo spacecraft fashioned from stainless steel but so also the anti-spike innersole in the combat boot now being worn in Vietnam. Similarly, the entire outer skin of the RS–70 supersonic airplane and the drive shafts of the Army helicopters are made from stainless steel. The inner support members of the RS–70 and other aircraft are of a special ultra-high-strength steel developed by the tool steel industry from its vast store of metallurgical experience. Also, the Atomic Energy Commission has awarded a contract for the development of a "mobile military nuclear powerplant" which must be made completely of stainless steel and which is to be used as a source of power by combat forces. The supersonic transport program as well as newer combat aircraft are dependent on the ability of the specialty steel industry to exist and supply both the steel and nonsteel items which are being specified. I cannot let these examples suffice, as I must point out that this industry has pioneered vacuum melting techniques through massive new investments in modern equipment that permit the production of nickel and cobalt alloys for white hot jet engine blades without which civilian and military jet aircraft would not be reliable or indeed fly, and that permit the manufacture of bearing and gear steels of utmost reliability to allow the safe operation of helicopters and hydrofoils and power generating equipment.

This is only a small list of examples where the defense of the United States is strategically dependent upon specialty steels. In addition to the direct strategic importance of specialty steels to the national defense, mention should also be made of the dependence of all industry upon specialty steels for dies, machinery, precision tooling, and other in-house applications. Twentieth century industry relies upon specialty steels for their high performance under stress and close tolerances to do jobs which other steels or materials cannot. The domestic specialty steel industry must be in a viable position to meet the demand for specialty materials for our national defense needs now and in the future. The security of the free world, in addition to our own vital interests, is dependent upon this condition. Only a healthy and dynamic domestic specialty steel industry can give us this assurance. The Department of Defense thinks in terms of "material systems." The properties demanded of materials used in missiles and rockets, for example, are such that only a tailor-made alloy steel or vacuum melting specialty materials can satisfy requirements. Skills through basic materials can be stockpiled, know-how cannot. If this Nation desires to excel in heavy industry, in space and in weaponry, in science and technology, it must insure the retention of a strong domestic specialty steel industry. In short, the specialty steel producers of this Nation provide a pool of technology, research, and development facilities, and highly skilled labor which will be dissipated as foreign sources capture the domestic market, or an important part thereof.

Specialty steels are basic to the economy of the United States. Specialty steels are basic to the defense of the United States. Specialty steels are basic to the overall well-being and national security of the United States.

The preservation of the specialty steel industry requires the maintenance of the health of all segments of the industry, as well as a healthy economic and political climate in which the forces of our private enterprise system can operate. It is a grave threat to the security of this Nation, particularly to the economic and military responsibilities we have to the free world, to watch the undermining of an essential industry in the name of fair competition, as it is described by importers.

Trade between nations should be encouraged but not to the extent that it might impair the growth of a vital industry. In view of the unchecked growth of specialty steel imports, it is apparent that imports must be kept in balance to insure the orderly growth of the domestic specialty steel industry. Only continued high levels of domestic business activity on the part of specialty steel companies can permit the expenditures for research and modernization that will make tomorrow's materials available. Growth is a necessary prerequisite for this to happen, for America's investors to be attracted to the progress of this industry. We cannot afford to let its growth be stifled. It will require the cooperation of the industry and the National Government to prevent imports of specialty steels from threatening to dislocate the industry and undermine the national security. They do today.

IV. CONCLUSION

There has been much talk over the years about the stimulating and dynamic impact of foreign competition on the domestic economy. This general statement may be true but competition which takes the form of massive low wage, low cost, imports comes at a high cost: the dislocation and disemployment of domestic production, excess capacity, retardation of the economy, outflow of capital in search of more profitable investments overseas. This results in a worsening of our balance of payments, increased outflow of gold, and a decline of international confidence in the dollar. These are factors which must be considered in any study.

From the importance of the specialty steel industry, it is apparent that any study of steel imports should give attention to problems faced by the domestic specialty steel industry.

The Tool & Stainless Steel Industry Committee fully endorses Senate Resolution 149 recommending a study of the impact of steel imports on the national security of the United States, on our balance of payments, and on the economic well-being of the domestic steel industry. We think that this study is in our national interest. We feel this investigation should be conducted by an appropriate subcommittee of Congress and that it be completed by October 30, 1966, so that prompt legislative or administrative action may be taken to remedy this crucial problem.

Thank you, Mr. Chairman.

Senator HARTKE. Thank you, Mr. Roberts. You are not afraid of the facts, right?

Mr. ROBERTS. Not at all, sir.

Senator HARTKE. All right. Thank you, sir. That is all.

(An attachment to Mr. Robert's statement follows:)

TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE

Allegheny Ludlum Steel Corporation
Armco Steel Corporation (Stainless Division)
Bethlehem Steel Corporation (Tool Steel Division)
Braeburn Alloy Steel Division, Continental Copper Steel Industries, Inc.
The Carpenter Steel Company
Eastern Stainless Steel Corporation
Firth Sterling, Inc.
Jessop Steel Company
Jones & Laughlin Steel Corporation (Stainless and Strip Division)
Joslyn Stainless Steel Company
Latrobe Steel Company
McLouth Steel Company
Republic Steel Corporation (Alloy Steel Division)
Simonds Saw and Steel Company
Cyclops Corporation, Universal Cyclops Specialty Steel Division
Vasco Metals Corporation
Washington Steel Corporation

Senator HARTKE. The next witness will be Mr. F. C. Muntwyler, Independent Wire Drawers Association. With him is Mr. James R. Sharp.

STATEMENT OF F. C. MUNTWYLER, PRESIDENT, THE INDEPENDENT WIRE DRAWERS ASSOCIATION; ACCOMPANIED BY JAMES R. SHARP, COUNSEL

Mr. MUNTWYLER. Mr. Chairman and members of the Committee on Finance, it is with great pleasure that I appear before you to testify on Senate Resolution 149 which was introduced by the distinguished Senator from Indiana, Senator Vance Hartke. Senate Resolution 149 would request the President to authorize the Department of Commerce to undertake a study of the steel import situation.

Before testifying on the merits of Senate Resolution 149, I think it would be worthwhile to give the committee some brief background information on the Independent Wire Drawers Association and the U.S. wire and wire products industry.

The independent Wire Drawers Association is a national trade association representing over 30 independent nonintegrated wire drawers and fabricators. I use the term "independent" to indicate these firms are not subsidiaries, divisions, or captives of the major steel corporations. I use the term "nonintegrated" in the sense that these firms do not possess basic steelmaking capacity.

I should also like to explain the term "wire drawer." Wire is manufactured from wire rod, a semifinished steel product, by drawing it through a series of dies which reduces the diameter of the wire rod and at the same time increases its length. Thus, the descriptive term "wire drawer."

A wire fabricator manufactures a finished wire product from the wire, producing such things as nails, barbed wire, woven fence wire and welded wire concrete reinforcing mesh. Most members of our association fabricate some wire products in addition to drawing wire. My own firm, Wire Sales Co. of Chicago, produces bright basic wire, galvanized wire, baling wire, chain link fence, welded wire concrete reinforcing mesh, and a host of other products.

The basic raw material for the steel wire and wire products industry is hot-rolled carbon steel wire rod. In the United States, wire rod is produced by 15 vertically integrated steel mills; and 93 percent of U.S. wire rod capacity is controlled by a mere 12 of these producers, including such industry giants as United States Steel, Republic, and Bethlehem. Steel wire and wire products, however, are produced by both the major integrated producers of wire rod and by many small, independent, nonintegrated wire drawers and fabricators, who are dependent upon the integrated producers for their wire rod. Economists characterize this situation where a supplier is also a competitor as "dual distribution."

As I am sure you are aware, the Senate Subcommittee on Antitrust and Monopoly Legislation recently held hearings on Senator Russell Long's bills, S. 1842, S. 1843, and S. 1844, which are designed to correct some of the abuses of dual distribution.

I would like to point out, however, that there is nothing inherently evil about this dual distribution situation so long as a normal relationship exists between wire rod, wire, and wire product prices which permit an adequate margin for converting wire rod into wire, and wire into products. But beginning in 1955, the behavior of these prices has not been normal; instead, these prices illustrate how an integrated producer in a dual distribution industry can apply anticompetitive price squeezes to their nonintegrated competitors.

The case of a typical fabricated wire product—the next should changed to baling wire—graphically illustrates the double price squeeze experienced by the independent wire drawers and fabricators. Prior to 1955 most independent producers purchased their wire rods from domestic steel mills at an average price of approximately $105 a ton. At that time baling wire sold for around $192 per ton which permitted the fabricators a reasonable markup on the wire drawing and fabricating process. But the major steel producers raised wire rod prices in 1955, 1956, 1957, and again in 1958. According to the Bureau of Labor Statistics, wire rod prices rose more than any other steel product during the postwar period. The price of the finished product did not increase proportionately, instead it decreased. A point was reached in many areas, where the raw material was selling at a higher price than the fabricated wire product. For example, during 1963 hot-rolled carbon steel wire rod was sold for $144.50 per net ton. Yet, the same integrated steel mill was selling annealed baling wire for $141.50 per net ton.

The independent producer, of course, could not purchase wire rod from the integrated producers at $144.50, clean and draw the rod into wire, fabricate the wire into annealed baling wire and then compete against a price of $141.50. As as matter of survival the independent producer had to turn to imported wire rod.

As a result of the double price squeeze applied by the integrated mills, wire rod imports increased from 47,800 tons in 1955 to 1,250,000 tons in 1965, over 10 percent of total U.S. steel imports. These imports are consumed almost entirely by the independent wiredrawers, and it is estimated that imports account for about 50 percent of the noncaptive wire rod market. It is significant to know at this point that some of that— they also imported steel to fill their commitments.

Over a 5-year period, when domestic prices were perfectly rigid at $144.50 per ton, comparable foreign wire rod was being sold at $110, $105, and at times even less than $100 per ton. Steel mill spokesmen were quick to boast of their unwillingness to meet foreign competition. Instead the big steel corporations sought the protection of the U.S. Antidumping Act by claiming the foreign wire rod was being dumped in the United States. The two Federal agencies charged with the administration of the Antidumping Act disagreed. The Treasury Department found Japanese wire rod prices were "not less than fair value," and the Tariff Commission dismissed the complaints against wire rods from West Germany, Belgium, France, and Luxembourg on the grounds of "no injury to a domestic industry."

In early 1965 the domestic steel industry reduced the price on so-called common quality wire rod from around $144 to approximately $125 per ton. For all practical purposes, this was a meaningless price reduction as far as the independent wire drawers and fabricators were concerned. In the first place, the price of $125 per ton was not competitive with the imported wire rod nor was it low enough to permit a fabricating markup. In the second place the definition of common quality only applied to certain types of wire rod and other important types of wire rod used by independent wire drawers and fabricators were still sold at the old high, uncompetitive price.

On March 1 of this year the United States Steel Corp. announced it was withdrawing published prices on low carbon wire rod, in order to aggressively compete against imported wire rod. Salesmen from the United States Steel Corp. have offered wire rod to most independent wiredrawers at a price competitive with imported wire rod. This price decrease has been met by most of the other major domestic steel producers. The Independent Wiredrawers Association commends the domestic steel industry on its decision to meet foreign competition in the marketplace.

Most independent wiredrawers were not in a position to place large orders with domestic steel companies at the time the price reduction was announced because of prior commitments to foreign suppliers; but independent wiredrawers are now placing orders with domestic steel companies for a portion of their wire rod requirements.

At a recent meeting of the Board of Directors of the Independent Wire Drawers Association it was agreed as a matter of general principle that independent wire drawers should attempt to purchase at least half of their wire rod requirements from domestic mills and the other half from foreign sources. Most independent wire drawers are extremely reluctant to place all of their business with the domestic mills, since they have established excellent business relationships with many foreign steel mills who supplied them in times of dire need. In addition, we sincerely believe that the free inflow of imported steel into the U.S. market helps maintain a free and competitive marketplace.

In regard to the study proposed by Senate Resolution 149 the independent wire drawers would favor an objective and analytical study of the steel import situation and its relation to the domestic steel industry pricing system. The approval of Senate Resolution 149, as presently worded, would not, in my opinion, insure an objective and analytical study.

For example, the whereas clauses are couched in such language as to indicate to the executive branch that the Senate has already formed an opinion that increasing steel imports are detrimental to the U.S. economy and the U.S. steel industry. Certainly the first four whereas clauses appear to state the factual situation; but the fifth whereas clause is pure speculation concerning economic contraction and rising unemployment in Great Britain and France, and the final whereas clause states a legal and economic conclusion that steel imports pose a serious threat to the profitability of the U.S. steel industry.

The body of the resolution is objectionable on several counts. In the first place, the Independent Wire Drawers Association is reluctant to vest the Department of Commerce with the authority to conduct a study of the steel import situation. We sincerely believe the Department of Commerce is unduly sympathetic to the domestic integrated steel industry and insensitive to the plight of the small independent nonintegrated steel fabricators who have been forced to purchase imported steel because of the price squeezes applied by Big Steel.

Senator HARTKE. Let me say here that the Commerce Department is catching it from both sides. [Laughter.]

Mr. MUNTWYLER. In the second place, we object to the phraseology of part 1 in the proposed study—"the possibility of unfair, below-cost pricing of steel mill product imports to the United States." This is a loaded question. To the best of my knowledge the domestic integrated steel industry has never submitted evidence of below-cost pricing of steel mill product imports to the Treasury Department in connection with any antidumping investigation.

In the third place, we obect to the phraseology of point 2 in the proposed study. Any study of profitability of the domestic steel industry must necessarily include a study of the cost of producing steel in the United States and the pricing policy of the steel industry. Furthermore, the definition of the steel industry should be broadened to include the independent, nonintegrated steel fabricators who are dependent on imported steel, because these steel fabricators are as much a part of the steel industry as the giant producers.

The independent wire drawers association favors the establishment of an inter-agency task force to study the relationship between increased steel imports and the domestic steel price situation. The interagency task force should include representatives from the Department of Commerce, Department of Justice, Department of Labor, Department of State, and Department of the Treasury, as well as representatives from the Council of Economic Advisers, the Office of the Special Representative for Trade Negotiations, the Small Business Administration and the Tariff Commission.

A similar interagency task force was recently established to study the Pacific Northwest softwood log export situation and an interagency administrative group is concerned with the textile import program.

The establishment of an interagency task force would assure a balanced and objective report representing the points of view of the various enumerated departments and agencies rather than merely giving the Department of Commerce the authority to utilize "other appropriate Federal agencies."

We recommend the interagency task force study and report on: (1) the reasons for the increase in steel imports during the past few years: (2) the impact of these steel imports on the U.S. steel industry and the response of the U.S. steel industry to import competition; (3) the relationship between increasing steel imports and decreasing steel exports and the cost of producing steel in the United States and the pricing policies of the U.S. steel producers; and (4) the probable impact of restrictions on steel imports on independent, nonintegrated steel fabricators and other consumers of imported steel.

An objective and analytical study, such as we have recommended, would indicate that the domestic integrated steel industry has only itself to blame for much of its present import problems; namely, the maintenance of a generally insensitive, utility like administered price policy, coupled with the installation of 40 million tons of the wrong kind of capacity—open hearth furnaces, in the late 1950's, while Europe and Japan were building ultramodern steel mills.

The United States is now, and has for many years enjoyed the favorable overall trade balance. This problem must be considered, including exports, as well as imports, for, perhaps, the country which exports steel to the United States is a better customer of ours than we are of theirs.

In 1965, 37 percent of all iron ore consumed by the large integrated steelmakers was imported by them. If they want free access to world markets for raw materials, why deny the same privilege to the independent wire fabricators?

In conclusion, the Independent Wire Drawers Association favors an objective study of the steel import situation and its relation to the domestic steel industry pricing system along the lines we have recommended; approval of Senate Resolution 149, at least as it is now presently worded, would not, we believe, insure such an objective and analytical study of this complex subject.

Thank you very much, Senator.

Senator HARTKE. You do think there is need for a study?

Mr. MUNTWYLER. Yes, I do.

Senator HARTKE. All right.

On page 4, just for clarification of the statement there, you say:

> The Treasury Department found Japanese wire rod prices were "not less than fair value."

And then you say:

> And the Tariff Commission dismissed the complaints against wire rods from West Germany, Belgium, France, and Luxembourg on the grounds of "no injury to a domestic industry."

Now, under the statute, there is a requirement for the finding of both, is that not true?

Mr. MUNTWYLER. Yes, so I understand.

Senator HARTKE. Before there is going to be any relief granted and before the Tariff Commission can consider the matter, there must be a finding that it was sold for less than fair value. So just for clarification, what I want to point out is that in those cases against the shipments of wire rod from West Germany, Belgium, France, and Luxembourg, there was a finding that they were being sold for less than fair value, is that not true?

Mr. MUNTWYLER. I think you are correct, Senator; yes, sir. It was that there was no injury.

Senator HARTKE. And no injury to the business. But, quite honestly, in an expanding, an exploding economy, the chances of finding injury on a domestic industry are very, very remote under the present statute in any type of situation, is that not true?

Mr. MUNTWYLER. Yes, sir; that is correct.

Senator HARTKE. That is right. The fact of the matter is that it does not take into consideration the fact that if you have a slowdown that the same set of circumstances might produce an entirely different result.

Mr. MUNTWYLER. That is quite probable.

Senator HARTKE. Yes, sir. So the reason I am pointing that out is that as long as you have continued prosperity here in the United States everything is all right, but you had indications here from the administration today that we are headed for a lessening of the boom. I am not saying you are going into a recession, but there are some people who feel that things are not very good, and there are some barometers which indicate they are not very good. For example, the stock market is acting irregularly, to say the least, and homebuilding certainly is not jumping out of the top any longer; automobile production is seeing its difficulties, and steel itself is experiencing some slowdown on a comparable level.

So what I am trying to say is I want to get into these things before we have difficulty, and I would like to see the study made. If you have some suggestions or complaints against some of these people I see nothing wrong with that. That is fine. But I do not contemplate going into a complete question of antitrust investigation, because, quite honestly, as I have tried to indicate here, we are not going to be able to even take into account the cartelization which is occurring in other parts of the world which would be subject to antitrust action here. So you do not start out fair when you start out on that basis. We just have to take those things into consideration.

You feel that the resolution is worded improperly or unobjectively. Let me say to you that we have no pride of authorship, but I am interested in getting to the bottom of this trouble.

I want to thank you for coming.

Mr. MUNTWYLER. Thank you very much, Senator.

Senator HARTKE. Mr. Seymour Graubard from the American Institute for Imported Steel. I think we will still let you catch your plane.

STATEMENT OF SEYMOUR GRAUBARD, COUNSEL, AMERICAN INSTITUTE FOR IMPORTED STEEL, INC.; ACCOMPANIED BY KURT ORBAN, PRESIDENT, AMERICAN INSTITUTE FOR IMPORTED STEEL, INC.

Mr. GRAUBARD. Yes, sir.

Senator HARTKE. You may proceed.

Mr. GRAUBARD. Mr. Chairman, my name is Seymour Graubard, and I am counsel to the American Institute for Imported Steel. Seated at my right is Mr. Kurt Orban, president of the institute, and a merchant of imported steel. He has accompanied me here better to be able to answer such technical questions concerning commerce that the chairman may wish to put to us.

The institute, through its members, conducts a significant proportion of the total steel import trade in the United States. The members bring in most of the steel products from Europe, and a major portion from other exporting nations.

Until the domestic steel mills began withdrawing from the international market in the 1950's, several of the institute's members were major exporters of steel from the United States.

Our interest in the subject matter of Senate Resolution 149 is, of course, manifest. The institute's membership has a selfish economic concern——

Senator HARTKE. Let us start back there. At the bottom of page 1, you say that "until the domestic steel mills began withdrawing from the international market in the 1950's"—can you explain that?

Mr. GRAUBARD. Yes, sir.

A number of the members of the institute had been in the steel import and export business prior to World War II. During World War II they continued to export to those nations which were licensed for American steel exports by the Government.

Subsequent to World War II, they continued to export, and for many this was their primary business. However, as steel prices went up—and I might add—as the lack of competition between American steel prices and foreign steel prices became apparent, steel exports from the United States dwindled. Today steel exports are largely conducted directly by the steel mills themselves.

Now, our interest in the subject matter of Senate Resolution 149 is, of course, manifest. The institute's membership has a selfish economic concern for the continuance and health of the steel import trade. Nevertheless, as American citizens our members have a far greater interest in the welfare of the United States, and we shall criticize the resolution from that point of view alone. We trust that other witnesses appearing here today—whether representing domestic steel mills or others—will all agree that the transcendent interest of the United States must take precedence over that of any group.

Our chief criticism of the pending resolution is that, while purporting to seek an investigation, it in fact embodies a priori conclusions for which it seeks the stamp of "objective" approval. Let me analyze it in detail before I make what I hope are some constructive recommendations for the committee to consider.

Thus, the first three recital clauses of the resolution consist of accurate but carefully selected import data. These sequential recitals arrange the import statistics so as to give a crescendo effect to the theme of "The Deluge of Imports."

Senator HARTKE. Who used the term "deluge"—is that your term?

Mr. GRAUBARD. That is my term, sir.

Senator HARTKE. I just want to know who you are quoting.

Mr. GRAUBARD. I am reading from the resolution summarizing the resolution, and I am giving my opinion of what the reader's impression of what the resolution will be.

Senator HARTKE. This is your tag, right?

Mr. GRAUBARD. That is right, sir.

Senator HARTKE. All right.

Mr. GRAUBARD. I stated the reader is left with the impression that the foreign steel producers, relatively quiet until 1961, have since then been aggressively pushing steel into our country from the four corners of the earth.

Senator HARTKE. Let me ask a question. Haven't they?

Mr. GRAUBARD. Pardon?

Senator HARTKE. Haven't they?

Mr. GRAUBARD. May I continue, sir?

Senator HARTKE. Well, haven't they?

Mr. GRAUBARD. As an old draftsman of resolutions, sir, one can state simply that the increase in imports is marked. When one takes the first three recitals and fails to add other data which I note hereafter, then the effect, I think, is not entirely objective.

Senator HARTKE. You do not think then that they have aggressively been increasing, is that right?

Mr. GRAUBARD. As I stated, sir, the recitals are accurate as far as they go. They do not present the proper picture overall.

Senator HARTKE. All right. You want to modify the recitals?

Mr. GRAUBARD. I am making certain recommendations along that line, Senator.

We submit that it is appropriate to substitute for the first three recitals a simple statement of the fact that steel imports have materially increased since 1961.

At the same time——

Senator HARTKE. I would not find any objection to that. I would agree to that. I think that is right.

Mr. GRAUBARD. Thank you.

At the same time—and I hope you would agree with this, Senator—the committee should present the domestic side of the steel picture. It should note that domestic steel production currently is higher than ever before.

Senator HARTKE. I would agree with that. But imports have increased faster.

Mr. GRAUBARD. But, you see, sir, there is a good economic reason for this, almost an elementary reason.

Senator HARTKE. We are just talking about facts now, not conclusions.

Mr. GRAUBARD. I am talking about facts.

Senator HARTKE. I want to agree with your facts. I do not want to have a dispute on facts.

Mr. GRAUBARD. We can have no dispute, I think, about what I am about to tell you.

Senator HARTKE. Yes, I know. I just wanted to add one thing you forgot to put in. You forgot to put in the fact that imports have grown faster.

Mr. GRAUBARD. I make no dispute about that.

Senator HARTKE. That is the point I just want to——

Mr. GRAUBARD. But a study should be premised——

Senator HARTKE (continuing). Want to keep things in proper perspective, and that is all we want to do in this hearing.

Mr. GRAUBARD. I am perfectly willing to accept your statement that imports by rate have grown faster than domestic production.

Senator HARTKE. This is right.

Mr. GRAUBARD. This is not true, of course, in regard to quantity. Domestic production by quantity has increased far more than imports have.

Senator HARTKE. That may be true, too, and I think that is a good fact to have. But that does not affect the balance of payments.

Mr. GRAUBARD. Fine, sir. I will come to that, sir.

Senator HARTKE. All right.

Mr. GRAUBARD. The committee should note that domestic steel production currently is higher than ever before. Nor should the committee overlook a recital that the domestic steel mills have been and are working at capacity or near capacity. It is likewise most important to record the fact that there is now no unemployment among steelworkers and that the mills are conducting intensive recruitment programs to find more personnel. And we suggest that it might be deemed appropriate to include a recital to the effect that the 10 million tons of steel imported to the United States last year not only helped this Nation provide armament for the Vietnam conflict but also helped to stave off a crisis in our domestic economy by averting a serious shortage of steel.

Recital four states that 1965 steel imports constituted a $1.25 billion negative factor in the U.S. balance-of-payments accounts. This is at once both inaccurate and misleading.

Senator HARTKE. On the basis of the information at that time it was not.

Mr. GRAUBARD. I think, sir, on the basis of any information it is misleading, and I think it is inaccurate.

Senator HARTKE. All right.

Mr. GRAUBARD. Both.

Senator HARTKE. All right.

Mr. GRAUBARD. Judgments cannot—I am coming to that.

Senator HARTKE. This fact can easily be established, and if it is wrong I will stand corrected.

Mr. GRUABARD. Fine.

Senator HARTKE. But it is a fact which can easily be established if we have the study commission, there can be no argument in that regard.

Mr. GRAUBARD. Well, actually we have been able to establish the inaccuracy of the statement by simply existing Department of Commerce statistics.

Senator HARTKE. I am not saying anything about that. If it is an inaccurate statement, it can be corrected.

Mr. GRAUBARD. Fine, sir.

Senator HARTKE. The truth of the matter is we should have modified a considerable portion of this resolution if we wanted to update some of the facts. But that was not necessary in view of the facts that I stated before these hearings began at the announcement of them, that this resolution was intended as a guideline, and we did not intend to introduce a new resolution at this time.

Mr. GRAUBARD. Thank you, Senator.

Judgments cannot be made about the United States' international payments account by focusing attention solely on the balance of trade entries in that account. Nor can one make a valid appraisal of the international trade balance of the United States by viewing the dollar value of the U.S. imports of one commodity.

As every trade expert knows, the total spectrum of exports and imports is the proper frame of reference. And, as we all know, the United States has what all trading nations desire—a quite favorable overall trade balance.

Senator HARTKE. A continuing deteriorating one.

Mr. GRAUBARD. Not at all, sir.

Senator HARTKE. Well, you dispute the Commerce Department on that?

Mr. GRAUBARD. No, sir.

Senator HARTKE. All right, just explain it.

Mr. GRAUBARD. What I would like to do is to add a factor to that, and it is this.

Senator HARTKE. All right.

Mr. GRAUBARD. When the United States steel mills are producing steel at what I believe the New York Times says is 98 percent of capacity, then it is impossible to have a further increase in domestic production by ratio consistent with an increase in imports of steel and, sir, so long as the United States is going to continue to engage in a conflict overseas, and I might say a conflict which, in any other generation, would have been a major war——

Senator HARTKE. Wait a minute, you come on back. Let us stay with some facts and let us not fight in Vietnam. I am not interested in that. You and I might disagree on how to conduct a war in Vietnam, but the point we are talking about, is the statement you made here, which said is not right——

Mr. GRAUBARD. That is right.

Senator HARTKE. You say that the overall trade balance is not deteriorating.

Mr. GRAUBARD. That is right, sir.

Senator HARTKE. All I am saying to you is that it went in the last 2 years from a $6.7 billion surplus to a $4.8 billion surplus, and in this first quarter to a $4.1 billion surplus. If that isn't moving in a deteriorating direction then I do not understand what your are talking about, and what you refer to.

Mr. GRAUBARD. It will take me only 30 seconds, sir, to explain it, and it is this: When the U.S. economy, because of foreign conflict, because of domestic increases in production and consumption is so tight, then it is inevitable that the demand of the consumers in the United States will be met by imports.

Senator HARTKE. All right. Now you want to do a play on words, and that is all right with me. I won't use the word "deteriorating." I will use a different word, that the favorable dollar balance of trade has been reducing since 1964 and again in 1965 and in the first quarter of 1966.

Mr. GRAUBARD. I accept that, sir. But may we combine that with the state of the domestic economy so that the fact will be understood. It will have context.

Senator HARTKE. You just take issue with the word "deteriorating."

Mr. GRAUBARD. No, sir. I take issue with the concept, the basic economic concept, which is accepted in the resolution.

Senator HARTKE. You go ahead. I understand you.

Mr. GRAUBARD. But even in the narrowest context, individual commodity trade balances must be computed by using export as well as import figures. Such a computation would find that the adverse U.S. balance of trade in steel was not $1.25 billion but about one-half that amount. But even that figure is a half-truth. When we include trade in products manufactured from steel, then the United States has enjoyed a favorable and not an unfavorable balance of steel trade.

The fifth recital states:

> Economic contraction and rising unemployment in Great Britain and France threaten to divert increasing quantities of steel mill products to the United States at prices below U.S. market prices.

We respectfully submit that this statement is pure conjecture and speculation.

Senator HARTKE. All right. All I am going to do is inform you of an article appearing in the New York Times of February 14, "Steel Slump Hits Europeans Again," in an article by Richard E. Mooney, in which he points out that the European steel industry is in another slump. He then goes ahead to point up the fact that steel prices are weak. He talks about unemployment being down in here. We will make this whole article a part of the record.

(The article referred to follows:)

[From the New York (N.Y.) Times, Feb. 14, 1966]

STEEL SLUMP HITS EUROPEANS AGAIN—EXCESS CAPACITY WEAKENS PRICES—MERGERS RISE IN FRANCE AND GERMANY

(By Richard E. Mooney)

PARIS, February 13.—While President Johnson fights off rising steel prices, Fried Krupp is fighting off reductions.

The European steel industry is in another slump. Moreover, steel makers believe that this is not an ordinary periodic or cyclical weakness, but a basic development of overcapacity that can be traced back several years. Prices are weak again, and have not really been strong for any extended period since 1960.

While over-all production appears to be rising, this conceals the fact that there has been a big jump in Italian production in the last year, a modest rise in Britain, and declines in West Germany—the biggest producer—and France and Austria.

The High Authority of the European Coal and Steel Community has warned recently that there will be a serious price problem unless production is controlled. In France and Germany, the industry is pleading for government aid. And increasingly, the industry is combining forces—by agreements to cooperate, joint ventures and mergers.

TWO FRENCH VENTURES

The French industry disclosed a plan for a pair of consolidations this week, provided that the Government promises major financial assistance for the next five years.

One deal would merge Usinor, France's biggest steel concern, with Lorraine-Escaut to form a concern with a capacity of about 6.25 million tons a year. The other, not necessarily an outright merger, would link de Wendel and Sidelor, with a combined capacity of 5.5 million tons.

In Germany, the planned merger of Hoesch and Dortmund-Hörder will create a company with a capacity of 5.5 million tons, closely linked with the Netherlands of Hoogovens.

Krupp recently merged its steel interests to form a bigger company, and two years ago August Thyssen and Phoenix-Rheinrohr were merged to form the biggest steel company in Western Europe.

AMONG WORLD'S BIGGEST

The Thyssen-Phoenix concern ranks fifth among the world's biggest producers, but the world's dozen biggest steel makers include only two European companies, along with two Japanese and eight American concerns.

A Ruhr steel executive observed recently that "there are still 17 of us in Germany and there should be only three." But there is no sign that the merger wave will go this far anytime soon.

The apparent sources of the European industry trouble are several. For one, the technical revolution in steel making and notably the installation of the conversion process, is expanding capacity faster than demand. For another, Europe raised its scale several years ago and started building much bigger plants, such as Italsiders at Taranto and Usinors at Dunkerque.

Also, the general pattern of the European industry's business is different from that in the United States. While the steel industry everywhere tends to focus on home markets, Europe's industry is more involved than its United States counterpart in world market conditions.

Weak prices on the world market, new and efficient capacity in Japan and new capacity in India and other underdeveloped countries mean trouble here.

The European industry also is held back by history. Years ago, the best place for a steel company to be was on top of its own coal mines, and the second best was next to its ore supply. The huge Ruhr and Lorraine steel concentrations are there today for this reason. But now the trend is to coastal sites, for better transport—in and out—and the old plants cannot move.

COMPETITION WITHIN BLOC

Finally, the European producers also are having to adjust to each other's competition within their six-nation community, which is made up of France, Germany, Italy, Belgium, the Netherlands and Luxembourg.

Though the Coal and Steel Community is 14 years old now, and steel tariffs within the bloc have been at zero for a long time, prolonged boom conditions have kept everyone content. Now the boom is slowing down.

The effects of all these forces are seen in the trends to mergers, joint ventures like the transshipping depot being built at Rotterdam, and cooperative deals like the coordinated rolling program among four Ruhr companies. Some companies such as Krupp and France's Pont-á-Musson, are also diversifying.

EFFECTS ON UNITED STATES

Another effect shows on the supply side, and should be good news for the United States. The steel companies here are fighting their governments' curbs on American coal, which is cheaper for them than Europe's coal.

The French steel industry recently received Government permission to negotiate directly for a three-year contract, and some authorities think it is only a matter of time before Germany subsidizes its coal industry more fully and lifts import curbs.

The most disturbing effect on the steel problem is the growth of protectionism. The Coal and Steel Community raised tariffs on imports from outside countries two years ago and recently renewed the increase. Greece and Spain have imposed import curbs in the name of antidumping regulations. Britain 1964 surcharge on all imports came on top steel tariffs that already were relatively high.

The United States industry's unhappiness with rising imports is well known. The implications of this for the Kennedy round of trade negotiations are self-evident. There already is a special negotiating subcommittee working on steel. It is assumed that it will come up with a special deal.

Senator HARTKE. Let me see, here is another article.

Mr. GRAUBARD. You know, Senator, that statement may be true, but my point is that this should be a finding after an investigation and not a recital.

Senator HARTKE. You are objecting to the statements in the resolution itself. If that is all you object to we can clear the air on that. We will just remove all of these doubts from your mind, and you can say whatever facts are not true in the recital. We will go into an objective study, and we will eliminate all of the misconceptions. I am not trying to prejudge it. If you want to prejudge it, that is your business.

Mr. GRAUBARD. I am objecting to a prejudgment, sir.

May I go on to the sixth and last recital? This would constitute a congressional finding of fact that, if steel imports continue at the 1965 rate, they will:

Pose a serious threat to the profitability of the steel industry and to the employment, income, and tax revenues generated by the steel industry.

We submit that such is not the fact. Indeed, current production of, and employment in, the domestic steel industry clearly point in the opposite direction. In the final analysis, an objective overall study of steel imports and their relationship to the U.S. economy is needed to answer the question of whether or not steel imports pose a threat to the U.S. steel industry. An a priori finding by the Senate that such a threat exists makes such a study pointless. We respectfully urge that this recital be deleted.

I now turn to the resolution clause of Senate Resolution 149. It would focus attention on four areas:

1. The possibility of "unfair, below-cost pricing of steelmill products imports."

2. The impact of steelmill products imports on the domestic steel industry's profitability and employment.

3. The balance-of-payments impact of steel products.

4. The effect of U.S. capital export restrictions on demand abroad for steel products.

I have already commented on point three. Point four, if I understand it correctly, would require a most far-reaching study. I doubt whether the project is feasible and, if so, whether it would be productive of any meaningful conclusions. In any event, I suggest that such a study is more properly the subject of a separate inquiry embracing all imports and exports.

I will concentrate, therefore, on the first two areas of inquiry: the "dumping" issue and the "industry-injury" question.

The resolution in effect would require the study group to make a special type of wholesale dumping investigation of all steel imports into the United States. This special investigation would parallel neither our own antidumping statute nor its companion GATT accord provision. Furthermore, it is limited to a study of below-cost sales, a rare bird indeed in the aviary of dumping complaints. As the committee knows, almost every dumping complaint filed is based upon comparative sales prices of the imports in the country of their origin and here. Therefore, I cannot help but wonder whether there is much to be gained by the limited inquiry here called for.

But there is an additional and more compelling reason why this committee should recast this portion of the resolution. As the Senate well knows from the aborted efforts of the late Senator Kefauver, steel producers are most uncharitable in handing to anybody, including our Government, their figures on production costs.

Let us analogize this resolution by supposing that, by direction of the French Chamber of Deputies, President de Gaulle should ask U.S. Steel, Bethlehem, Jones & Laughlin, et cetera, to disclose their cost data. I could understand if the honorable members of this committee might find such an inquiry to be a national affront. Yet is this not what Senate Resolution 149 is asking for abroad?

In any event, until such time as our domestic steel mills publish their cost data, it is highly unlikely that an investigation into such data abroad can prove profitable. We therefore suggest that the first area of inquiry of this resolution be stricken.

Senator HARTKE. You are having a little difficulty among importers, too, are you not? Especially in the first part of this year on that same type of charge? Now, I will put this into the record. This is from the New York Times under date of January 18, that "Japan Steel Exporters Under Fire." It states:

> The U.S. importers of Japanese steel claim that Japanese trading companies are taking away their customers through direct dealings.

Here is the quote I want to call to your attention:

> The Japanese firms, they charge, are offering cut-rate prices and credit terms "completely out of proportion" with what is customary.

Then they go ahead and talk about the squeeze. We will just put this in the record to show this is the allegation of the importers toward this same type of action.

(The article referred to follows:)

[From the New York (N.Y.) Times, Jan. 18, 1966]

Japan Steel Exporters Under Fire

WASHINGTON, January 18.—There is a behind-the-scenes steel dispute taking place between U.S. importers and Japanese trading companies.

A number of so-called independent importers, reportedly handling about half of all U.S. steel imports from Japan, have formed an ad-hoc committee to plea for a "better deal" from the Japanese.

DISPUTE TO BE AIRED

It is possible the dispute may be aired this year before the Senate Antitrust Subcommittee, in connection with that panel's "dual distribution" hearings.

The U.S. importers of Japanese steel claim that Japanese trading companies are taking away their customers through direct dealings. The Japanese firms, they charge, are offering cut-rate prices and credit terms "completely out of proportion" with what is customary.

A steel importer representative says that if this "squeeze" continues, the import firms will have to look for supply sources in other countries, if they are to stay in business.

IMPORTER'S STRATEGY

The polemic comes at an awkward time. Steel importers, with their foreign suppliers in the background, are working to develop a firm front against U.S. industry attempts to get more import protection.

The Senate Finance Committee, for instance, is due to hold a hearing soon on a resolution asking that the Commerce Department make a study of steel imports. The study, some importers feel, might be used to further legislative demands tightening up the antidumping law.

Members of the ad-hoc group of importers of Japanese steel met recently here with Japanese officials to try to persaude the Government to help settle the distribution issue. Efforts toward this are reportedly in progress in Tokyo.

One of the factors present in the dispute is that the Japanese trading companies--not the steel mills in Japan—deal with the U.S. importer. These trading organizations also sell directly to American end-users.

MORE OFFICES IN UNITED STATES

According to the U.S. importers, more Japanese trading companies have been establishing offices in this country, putting pressure not only on the importers but the established trading companies.

The importers complain that they are being more and more by-passed, as the trading companies approach their customers offering lower prices—reportedly sometimes $4 to $5 per ton less—and extremely liberal credit facilities.

These tactics, U.S. importers argue, do not generate additional business for the steel industry in Japan. Instead, they say it makes sales less profitable, creating a general impression that Japanese steel is "available in unlimited quantities."

The importers report that they have suffered especially in coils and wire rods.

Acting as counsel for the importer ad hoc committee is Alan Hutchison of Sharp Solter and Hutchison, Washington.

Mr. GRAUBARD. Mr. Chairman, you will recognize the fact that complaint has nothing to do with costs but deals with another segment of commercial practice.

Senator HARTKE. Well, go ahead.

Mr. GRAUBARD. This leaves remaining the second area of inquiry, dealing with the impact of steel imports on the profitability and employment of the domestic steel industry.

We are happy to agree that such an inquiry should be made. But at the same time—as befits a costly investigation designed to assist not merely one segment but our entire economy—we submit that it is essential to broaden the study.

Obviously the study should also include the benefits that steel imports bring to the people of our Nation. Thus, during periods of steel shortages—whether caused by strikes, an expanding economy or by military conflict—should our Government encourage imports as beneficial to the United States?

When uniform, ascending prices for steel accelerate inflation, do the competitive, lower priced steel imports have a beneficial, anti-inflationary influence on our economy?

When the integrated steel mills adopt raw material prices versus finished product prices which leave the small businessman no room to stay in business, does the availability of steel imports save thousands of businesses and hundreds of thousands of jobs from oblivion?

When foreign steel mills cut their production costs by using the most modern techniques and they are thus able to undersell their domestic competitors, do not steel imports provide a valuable stimulus for the domestic steel industry also to modernize and to cut its costs of production?

Perhaps, too, it might be desirable to inquire whether the exports of U.S. manufactures containing steel, as well as of course our agricultural and other exports, could long continue in the face of curtailments of steel imports? This, too, would have a most serious effect on the profitability and employment of the domestic steel industry.

I turn now to consideration of the agency that might be selected to do the study. The resolution would request the President to direct that the study be made by the Department of Commerce. It is an open secret that the sponsors of this resolution would have such study made by the Business and Defense Services Administration of the Commerce Department. Frankly, we are not convinced that BDSA is equipped, either in staff or in philosophical outlook, to make an adequate study.

Senator HARTKE. That is an unadulterated, absolutely false statement. I never heard of that bureau, and I am the sponsor of the resolution.

Mr. GRAUBARD. I am happy to hear that, sir.

Senator HARTKE. I am unhappy with such absolutely irresponsible statements made by a witness in front of a committee such as this.

Mr. GRAUBARD. My statement states that it was an open secret.

Senator HARTKE. An open secret?

Mr. GRAUBARD. Common rumor around Washington.

Senator HARTKE. I do not care if you are a believer in rumors, I can give you any rumor under the sun. I suggest you start sticking to the facts.

Mr. GRAUBARD. Then I am very happy that the record is clear.

Senator HARTKE. I suggest you start considering the fact that you are in a responsible position, and you have been invited to give testimony here. If you want to go ahead and make accusations, which are customary and which you have referred to me, that is all very well. But keep your personal animosities out of it.

Mr. GRAUBARD. I have no personal animosities toward that bureau, sir. I am glad to have the record state that that bureau is not under consideration by the sponsors of the resolution.

We are convinced that there are other agencies of government better equipped to make the kind of investigation which should be sought here.

We believe that there is no better qualified agency of the Government to make such a study than the Interagency Trade Organization. This agency, established by the Trade Expansion Act of 1962 and, indeed, a creature initially conceived by this committee and the House Committee on Ways and Means is composed of Cabinet officers named by the President. In addition, the agency can ask to sit with it in performing any assigned task any other Government officers designated by the President. Further, the agency has specific authority to draw on the entire Government family, including the Tariff Commission, for assistance and advice in performing its tasks.

Needless to say, the subject of steel imports and their relationship to the U.S. economy is well within the competence and expertise of this agency. Indeed, as the focal point for all government views on the pending Kennedy round negotiations, this agency has been studying this very question in the context of the overall U.S. trade policy, for at least 3 years. Thus, it would have the benefit of its past inquiries, which undoubtedly are quite current.

Finally, we feel called upon to observe that it is more than simple coincidence that the principal sponsor of the pending resolution is also the principal sponsor of legislation, introduced in the Senate and House of Representatives last year, which is designed to amend radically the antidumping status. Indeed Senate Resolution 149 has often been spoken of as the "handmaiden of the so-called Herlong-Hartke bill."

Senator HARTKE. Just by reference we will include your wonderful report in answer to that. I am not ashamed of the legislation which I introduced. I want you to know that we are acquainted with it.

(The report referred to is entitled "United States Antidumping Policy—At Present and as Proposed by the Herlong-Hartke Bill." Report to the American Institute for Imported Steel, Inc., New York, N.Y., dated December 15, 1965, and is on file with the committee.)

(Page 207 follows)

Mr. GRAUBARD. Thank you, sir. I took the legislation so seriously I spent many weeks analyzing it. The resolution seems designed to provide a patina of official authority for the changes embodied in the legislation. And we must not overlook the fact that nearly 25 percent of the 535 Members of the Congress recorded their initial support of this legislation.

There is good reason why there are so many supporters of this antidumping bill. Many of these legislators come from areas of our country where steel and cement manufacturing provide work for many of their constituents. And these legislators have been subjected to a multimillion dollar barrage of propaganda designed first to stigmatize steel and cement imports as unfair competitors, and second to obtain such legislation as would eliminate altogether or cut to a trickle such imports.

Senator HARTKE. Document that.

Mr. GRAUBARD. I would be glad to, Senator.

Senator HARTKE. You tell me that I have been subjected to a multimillion dollar barrage of propaganda. I happen to know what I have been subjected to. I happen to have been asked by most of the Senate not to go ahead with this, including the steel industry. And I do not care. I am concerned as a Member of the Senate in trying to straighten out what I consider an awful mess. I suggest that you come in and document that fully.

Mr. GRAUBARD. Sir, I am not suggesting anything other here than that the steel mills and the cement industry have had a barrage of propaganda. May I point out that we have a clipping file in our office and we can make any number of clippings available to you, Mr. Chairman, showing exactly what this propaganda consists of. It is hard to read the newspapers these days, in fact, without doffing our hats at the excellent job of the public relations council that the AISI and its membership are doing.

Senator HARTKE. If you read the current issue of Iron Age, you will find out that this whole resolution, the whole hearing, has been met with less than optimism by every quarter. The only thing is that I happen to be interested in the people of this United States. I am not concerned with who it hits. If it bothers you, that is just too bad. If it bothers anybody else, I don't care who it is. I want the facts out here. If you are afraid of the facts, I am not.

Mr. GRAUBARD. We are in favor of a resolution asking for an inquiry.

Senator HARTKE. Well, don't talk about a million dollar barrage of propaganda. Let's just talk about facts.

Mr. GRAUBARD. That is a fact, sir.

Senator HARTKE. The million dollar propaganda directed at us?

Mr. GRAUBARD. Directed at the entire Nation, sir.

Senator HARTKE. These legislators? You happen to be speaking to me. I am the author.

Mr. GRAUBARD. I am saying the legislators who read the newspapers have to be interested in this and I know you are interested in everything that goes on in our Nation that bears upon your duty, sir.

Senator HARTKE. Let me say to you, sir, that you are the most—well, go ahead.

Mr. GRAUBARD. Since Senate Resolution 149 seems to be an offshoot of this serious fear of imports as an iniquitous form of competition, I think it is only proper to hold the indictment up to the light.

Each and every time that the steel industry has sought an official finding of unduly burdensome or unfair competition, it has lost.

In 1958, the steel industry brought a wire products escape clause proceeding before the Tariff Commission. Within 1 week of the conclusion of the public hearing in that case, a unanimous Tariff Commission rejected the claims of injury made by the steel industry.

In 1962, a major new assault was made on an important imported steel product—wire rods. The steel companies claimed that this product was being imported in violation of the U.S. Antidumping Act. But once again, in 1963, a unanimous Tariff Commission rejected their baseless charges.

In the following years, a number of other complaints of steel dumping were lodged, examined, and also found to be baseless.

Senator HARTKE. Let's come on back to this so we have a clarification. I suppose this is a question of your worrying again, which is, to say the least, unusual.

Baseless charges mean there will be no basis whatsoever. I am not defending that action. I am not saying what the net result should have been.

But there was a finding that the steel was brought in at a less than fair value price. It was only upon the finding that there was not injury to domestic industry that the case did not proceed. So there was a base for the charge.

Mr. GRAUBARD. Sir——

Senator HARTKE. Well, now, just a minute. I am just going to say what I want to say. I am going to tell you the truth. I mean this is the fact and the truth, it could not have been brought in front of the Tariff Commission unless it was found to have that aspect. So the Treasury Department had to make that finding first.

Mr. GRAUBARD. May I point out that the law calls for a violation based upon two factors. If you have only one, you cannot have a violation.

Senator HARTKE. You said baseless. This is the point. There is quite a bit of difference. I just do not think you want to throw indictments against people for proceedings under the authority of statutes which are provided for them and then say if you are not successful, you had a baseless cause of action. I think this would be a remarkable indictment of our system of legal process.

Mr. GRAUBARD. Very well.

But official disagreement with the validity of their complaints against foreign steel has not ended the steel industry's campaign against imports. Beginning in 1963, and continuing today, they have turned their attention to getting the laws and regulations changed to fit their case. Theirs is a simple formula for success: If you cannot make a factual case under existing law, get the law tailored to fit your facts.

We urge the committee not to allow Senate Resolution 149 to be used merely as an additional propaganda vehicle of the domestic steel mills in their endeavor to stifle legitimate and necessary steel imports. In so doing, we hope we have made it abundantly clear that we do not oppose a thorough, unbiased study of steel imports and their relationship to the U.S. economy and trade policy.

The threshold questions of such study are: Why does imported steel find a ready market in the United States? Why do American steel consumers wish to purchase imported steel? These questions in turn raise a whole range of important considerations, which I have previously adumbrated, touching on the relative efficiency of U.S. and foreign steel production, marketing practices here and abroad, pricing policies of the U.S. industry and of foreign steelmakers, indirect costs of U.S. and foreign steelmakers, the value of steel imports to American businessmen and to the U.S. economy, and many other factors too numerous to mention here.

Thus, if a legislatively meaningful study is to be mandated—and not merely a propaganda vehicle to be turned against the American steel import community—it is absolutely necessary that the broad threshold questions be asked of an expert study group and that its hands not be tied beforehand by a narrow definition of the specific inquiries to be pursued. Only in this way, in our opinion, can an objective and legislatively useful study be made.

Therefore, if the committee should conclude that a study limited to the steel trade has a present or prospective legislative use, we respectfully urge that it authorize a comprehensive study by the Government agency best suited and equipped for the task, the Interagency Trade Organization, or an equally impartial and expert body.

Before I close my remarks, Mr. Chairman, I would like to express my surprise that no representative from the Department of State or from the Office of the Special Representative for Trade Negotiations, Governor Herter's office, was here today to testify. These agencies are vitally concerned with the subject of these hearings and their views certainly ought to be on record.

I know as a matter of fact, sir, that their representatives would have been able to answer a number of the questions that you put to the representatives of the other Government agencies appearing here.

Thank you, Mr. Chairman, for permitting Mr. Orban and me to appear here today and for the courtesies extended to us by you and your staff.

Senator HARTKE. Let me ask you, do you buy from any of the cartels in Europe and Japan?

Mr. GRAUBARD. I can give you some information on that, sir.

Senator HARTKE. Yes, sir.

Mr. GRAUBARD. Perhaps it is best to give it in the form of a story. A number of years ago, I was in Dusseldorf and I had lunch with some of the directors of the largest steel mills in Europe. There was one question they wished to put to me and they were most interested in this. The question was this: Here we are in Europe regulated by the high authority, unable to fix our prices, unable to have any kind of cartelization which we really would enjoy having. Yet in the United States, without any cartels, with strict laws against any kind of price fixing, the U.S. steel mills so manage their prices as to have uniformity which we would very much like to have. Can you tell us how it is done?

I tell you this story, Mr. Chairman, because the fact of the matter is cartels were in great use prior to World War II, but since that war, based upon legislation on the books of our own Government, based upon the provisions of the Treaty of Rome, cartels are illegal and price competition in steel in particular, cutthroat throughout Western Europe. I believe that the State Department would have an abundance of evidence bearing upon this fact.

Senator HARTKE. All right. Thank you, sir. That is all.

Mr. Nelson A. Stitt, United States-Japan Trade Council.

STATEMENT OF NELSON A. STITT, DIRECTOR, UNITED STATES-JAPAN TRADE COUNCIL, WASHINGTON, D.C., ACCOMPANIED BY JOHN A. KENNEDY, JR., ATTORNEY

Mr. STITT. Mr. Chairman, I am Nelson A. Stitt, director of the United States-Japan Trade Council, 1000 Connecticut Avenue, Washington, D.C. The United States-Japan Trade Council is a trade association representing more than 700 firms concerned with the maintenance and expansion of trade between the United States and Japan. I am also a partner of a law firm which represents several Japanese export associations whose members ship iron and steel mill products to the United States, among other destinations. In my statement, I wish to talk about Senate Resolution 149 not only as it relates to the international trade in steel but also as it relates to the direction and conditions of trade between the United States and Japan.

For the past few years, Japan has been the major supplier of imported steel products to the United States. There is a table 1 attached to my statement, Mr. Chairman, which demonstrates this fact. Thus, although Japan is not among the countries referred to in the introductory clauses of Senate Resolution 149, importers and users of Japanese steel in the United States as well as exporters of steel from Japan have an obvious interest in an investigation of steel mill product imports and their relation to the commerce of the United States. Indeed, since Japan is the United States' second major trading partner, an investigation of so important a commodity as steel is of general interest to all concerned with United States-Japan trade.

In general, we are in favor of investigations, whether conducted by the committees of the Congress, independent agencies, or the executive branch. When fairly conducted, they generally indicate that the problem is rather different than was at first believed and are helpful to all concerned.

In this case, where one of the most important industries of the United States is concerned—one whose activities permeate the whole economy—it is vital to consider carefully the need, the scope, and the agencies to conduct any investigation.

We respectfully submit that the need has not been demonstrated, the scope as set forth in the resolution is extremely one sided and poorly defined, and the appointed agency is not by itself the right party to conduct it.

I take up first the need for a special investigation at this time.

The first question for investigation listed in the resolution refers to "the possibility of unfair, below-cost pricing of steel mill product imports to the United States." There already are procedures, statutes, and forums where a thorough study of "unfair, below-cost pricing" can be studied, and, if necessary, corrected. The Antidumping Act of 1921, as amended, creates sanctions for sales of iron and steel mill products in the United States at prices below the price in the home market when such sales cause injury to an American industry. The Robinson-Patman Act, provides sanctions for sales of imported steel at discriminatory prices in the American market. Section 3 of the Clayton Act has sanctions for below-cost sales of imported steel made for the purpose of destroying competition or eliminating a competitor in the United States. In section 5(a) of the Federal Trade Commission Act, there is a prohibition against unfair methods of competition, which certainly includes unfair merchandising of imported steel products generally; and appropriate sanctions issue upon proof of violation of section 5(a). These laws constitute a formidable battery of defenses against the unfair, below-cost pricing of any imported product in the United States. Persons or companies or industries which feel themselves aggrieved because of competition from imported steel may take steps to protect themselves under one or all of these statutes. It is difficult to see what a Department of Commerce investigation can add to the knowledge and expertise of the Treasury Department, the Tariff Commission, the Antitrust Division of the Department of Justice, the Federal Trade Commission and private litigants, all of whom have available to them—and have experience with—the legislation referred to above.

The second question listed in the resolution concerns the "impact of rapidly increasing imports of steelmill products upon the profitability of the domestic steel industry and the employment, income, and tax revenues generated by that industry." Profitability, employment, income and tax revenues are a function of many more factors than competition from imports; and it would be unrealistic to study the significance of steel imports without also studying all the economic factors which affect the U.S. steel market, including, but not limited to, the costs, pricing policies, investment policies, and marketing practices of the domestic U.S. steel industry. Also to be considered should be the dependence of independent American fabricators upon certain types of imported steel and the consumer benefits which competition creates, whether between foreign and domestic or domestic and domestic steel. In any event, the Trade Expansion Act of 1962 provides a forum and standards for an analysis of this special kind, as does section 332 of the 1930 Tariff Act. The Tariff Commission is an expert body and it is experienced in analyzing the impact of imports, whether of steel or some other product.

The third question listed in the resolution is "the impact of steel mill product imports upon the maintenance of equilibrium in the balance of international payments of the United States." We think it basic economics that policies appropriate to the maintenance of overall balance-of-payments equilibrium cannot be derived by analysis of specific commodity flows in the trade account. The eminently successful trade policy of the United States presupposes multilateral settlements and specialization among trading partners. Adherence to this policy has been an engine for dynamic growth in the U.S. trade surplus and the international economy; disregard of this policy during the interwar period led to stagnation in the international economy and retarded growth in the national economy. If balancing trade between each trading partner was disasterous, we can say without exaggeration that an attempt to balance trade, commodity by commodity, would utterly destroy the basis for international commerce.

Even a cursory look at the bilateral relationship between the United States and Japan demonstrates the fallacy of this commodity approach to the balance of payments. Japan is the United States second major trading partner, topped only by Canada. In its commodity trade with Japan in the past decade, the United States has had a favorable balance in all but 2 years, amassing a cumulative surplus of about $2 billion. Major exports from the United States to Japan are chemicals, machinery and transport equipment, and agricultural products.

Inasmuch as Japan generally has had a deficit in recent years in its own multilateral balance in goods and services, it is faced with the problem of generating and maintaining sufficient foreign exchange to finance the purchase of these exports from the United States. This is accomplished by capital flows and by selling Japanese goods to the United States, steel mill products being an outstanding example.

Even if we narrow our view to the steel industry, we see that Japan, in order to support its steel-making complex, is a major overseas customer for American coking coal, iron and steel scrap, iron ore, petroleum coke, and rolling mill equipment.

This brings us back to where we started and merely points up what this committee already knows: that the bilateral trade has been highly beneficial to both countries and that multilateral trade has consistently made a positive contribution to the U.S. balance of payments. No extraordinary study is needed to demonstrate this.

As for the fourth question listed in the resolution, "The effect of efforts of the Government to restrict the outflow of private capital upon the demand of steel products in foreign countries affected thereby," I respectfully submit that the thrust of the question should be clarified. We interpret the question to mean that the voluntary balance of payments program administered by the Department of Commerce has resulted in an absolute decline in capital investment overseas; that this absolute decline has resulted in a decline in purchases of steel mill products by foreign industries; and that this decline in purchases of iron and steel mill products overseas has led to an increase in sales of such products to the United States. We suggest that even painstaking investigation would yield only highly speculative answers.

In our view, the first three whereas clauses of Senate Resolution 149 do not establish the need for the investigation they seek. It is quite true, of course, that imports of foreign steel mill products have increased from 1961 to 1965. But while steel imports were increasing by 7.2 million tons from 1961 to 1965, shipments of the U.S. steel industry were also expanding by over 26.5 million tons—a growth in absolute terms of more than 3½ times the import growth. (See table 2, p. 216.)

The fourth whereas clause of Senate Resolution 149 attributes a $1.25 billion drain on the U.S. balance of payments in 1965 to iron and steel imports. As an estimate of the effect of steel trade on the overall balance of payments, the figure is misleading. The U.S. exports iron and steel mill products in significant quantities and the net figure—which is the only meaningful figure for balance-of-payments purposes—is not $1.25 billion but rather $602 million.

Furthermore, if we consider the net U.S. trade in steel and steelmaking materials and equipment—a not illogical grouping—the deficit is further reduced to $209 million. (See table 3, p. 217.) In fact, if it were not for substantial U.S. imports of iron ore, the commodity balance would be favorable to the United States; ignoring iron ore, a surplus of $155 million would have been achieved in 1965.

But, here again, as has been pointed out, it is not the reciprocal trade in a particular product or group of products, but the overall trade of a nation that is important for balance of payments analysis.

As for the fifth whereas clause of Senate Resolution 149, it, too, we suggest, does not proclaim a need for an extraordinary study pursuant to a Senate resolution. We assume that British and French exports of steel to the United States will be competitively priced; but there is currently little evidence to suggest that the curve of the business cycle in either country will provoke the unloading of their steel output in the U.S. market.

The sixth whereas clause does not state a factual basis as background for the resolution which follows. The committee will note that the main thrust of this clause, with its reference to the impact of imports on profitability, revenue, taxes, and employment, is to assume as fact the very matters which the resolution would authorize for study.

If the committee decides that there is merit in an extraordinary study at this time, I suggest that the terms of the study as presently envisioned by Senate Resolution 149 are not broad enough to be realistic—that they do not really address themselves to the multitude of factors which must go into a meaningful study of steel imports in the United States.

The first question raised by the resolution concerns the pricing of steel mill product imports. As I have said, there are abundant facilities under American law for investigating prices, whether charged by exporters or importers or domestic manufacturers or U.S. fabricators, when there is reason to think such prices are in some way deleterious. But there is more to the pricing of steel imports than the "possibility" of unfair pricing.

For one thing, if there is to be an assessment of the significance of imported steel in the United States, it is important to assess the impact of foreign steel upon domestic inflation. As we all know, President Johnson and the Council of Economic Advisers have with determination worked hard at keeping a stable price level, especially in basic products such as steel. Steel mill product imports have demonstrably assisted in this effort. Where import competition is substantial, steel prices have tended to stabilize; where imports are not so significant, steel prices have trended upward. (See table 4, p. 217.) For the 11 steel mill products whose total 1965 demand was met by imports to the extent of 10 percent or more, the weighted BLS wholesale price index for March 1966 was 103.7 (1957–59 equals 100). For the 18 steel mill products whose total demand was not met by imports to the extent of 10 percent, the weighted BLS wholesale price index for March 1966 was 106.7. The BLS overall wholesale price index for finished steel products stands at 104.4. While other competitive factors may have played some part, it is not coincidental that price increases in the import-competitive group were slightly more than half the price hikes of the group less affected by import competition.

We suggest that, from the standpoint of the economic well-being of the United States as a whole, steel imports have been useful as an anti-inflationary tool. It would be a mistake to conduct a study without giving careful attention to this aspect.

A second area for useful study would be the effect of industry pricing policies on users. I refer here to the debate over the relative merits of the "price at time of contract" policy as against the "price at time of shipment" policy. Wheeling Steel, Phoenix Steel, and importers adhere to the former; the remainder of the U.S. industry—all major companies—to the latter. The subject is hotly controverted; for example, Mr. Harvey C. Hopkins, vice president of ACF Industries, has said that one reason for the steel import volume is the failure of the U.S. steel industry to grant a firm price at time of contract. It would be useful to have an objective analysis of the matter. Such an analysis would certainly be relevant to a study of pricing.

Again, an investigation of imported steel would be incomplete without a consideration of the benefits which consumers and users can expect from the purchase of imported steel. The availability of steel from other than domestic sources in a period of short supply, access to a range of materials reflecting worldwide technological advances, the importance to the independent fabricator in being free from total dependence on a single source for his semifinished material, particularly when the single-source supplier may be competitive with the independent fabricator on sales of the finished product—such dual distribution problems will be dealt with by other witnesses, I am sure—these are a few of the serious and debated questions which a conscientious study of the steel industry ought to consider.

The second question set out in Senate Resolution 149 can, I suggest, be made both clearer and more precise. Since the resolution calls for a study of the U.S. steel industry's profitability with respect to imports, the implication is that the resolution would authorize a study of the cost structure of the domestic steel industry. It is obviously impossible to determine the relation of a single factor in a market to profitability without an evaluation of all other factors bearing upon profits. Since a profit figure is simply an accounting device, the resolution apparently contemplates an analysis of such matters as dividend payments, investment decisions, equipment and facilities, depreciation allowances, cost of raw materials, cost of overhead, cost of labor, and cost of executive compensation, as well as demand and supply conditions in the market. We believe investigation of these questions should be spelled out in a resolution approved by this committee.

Similarly, employment generated in the steel industry may well be deserving of careful study at the present time, when there appears to be a tightness in labor supply, at least in certain areas. The United States Steel Corp. has been attempting to persuade steelworkers to move from Pittsburgh and other areas to Gary, Ind., in order to relieve a short supply in the latter city. The chairman of Inland Steel has complained that the labor shortage is causing otherwise unnecessary overtime pay. Bethlehem Steel has 500 job openings at its Lackawanna, N.Y., plant and expects the labor shortage problem to get worse. Forecasts of production for the current year are high, and thus the labor shortage will have an important bearing on the industry's profitability. This is a problem which can usefully be studied with care.

Much has been made in statements by some industry spokesmen of the loss of jobs to steel product imports. On the one hand, there are more steel production workers employed today than in the past 5 years. Ou the other hand, steel labor productivity has increased at an amazing pace over the same period. The steelworker in 1965 produced 24 percent more in finished steel products shipments than in 1961 (see table 5, p. 217). Mill modernization and the introduction of automation—more efficient blast furnaces, basic oxygen steel furnaces, new continuous casting facilities, computerized rolling mills—have eliminated more jobs than growing imports ever could; this is all to the good, of course, in view of the labor shortage problem reviewed above. In fact, despite higher wages, it has been suggested that unit labor costs are declining, at least at today's rate of operations. All these factors deserve a place in any serious study of U.S. steel markets and the impact of import competition.

Another aspect of industry performance which must be studied in a realistic analysis of imports is the current and past availability of semifinished and finished steel products. Availability is a function of demand and also finishing capacity, and over the past 18 months there has unquestionably been a relative tightness in steel supply in various products from time to time. The question is at least open whether the domestic industry could or will be able to supply purchasers with items within a reasonable time, and at a reasonable cost to the producers themselves. Imports have helped to relieve the market tightness, to the benefit of purchasers, and this, too, is relevant in a study of the industry's profitability.

Finally, it would be misleading to ignore the importance of imports in generating employment among independent fabricators, dockworkers, transportation workers, and other import-related employment. We do not claim that imports of steel generate as much employment as does the domestic steel industry—the volume of imports and the volume of domestic production and shipments are magnitudes of a very different order. We do claim that this aspect of employment is pertinent to a study of employment, imports, and domestic production. Further, the study should not ignore employment attributed to exports and export-related industries.

The domestic tax consequences of international trade are complex and intricate; a realistic evaluation of these consequences requires carefully defined assumptions and rigorous, broadly based analysis. Among the various aspects such a study ought to include are tax revenues generated in industries engaged in the importation, distribution, use and/or fabrication of imported steel and steelmaking materials, as well as tax revenues generated in industries engaged in the exportation of steel and steelmaking materials. Another factor would be the generation of foreign exchange abroad to permit the purchase of U.S. commodities by foreign buyers, thus swelling the tax revenues of U.S. exporting industries. Moreover, the tariff revenues collected on the steel imports should not be overlooked.

Finally, should the committee determine that it is good policy to go forward with a study of steel imports, we respectfully urge that the study be broadened and deepened to include the investigation of the entire U.S. steel economy, including the questions and factors discussed heretofore in this statement.

If an investigation is to be conducted, we suggest that the subject matter touches the responsibilities of many departments and agencies of the Government which accordingly ought to be included on the board of inquiry. We have indicated some of these areas and agencies above, and merely stress here that if the role of steel sales in the U.S. economy is involved, it would be imprudent to omit the Council of Economic Advisers of the President from the board of inquiry.

I thank you, sir.

(The tables referred to follow:)

TABLE 1.—*U.S. imports of steelmill products by source*

Year	Japan	Belgium-Luxembourg	West Germany	France	United Kingdom	Canada	Others	Total
1961:								
Thousand net tons	597	1,050	499	321	166	304	226	3,163
Percent	19	33	16	10	5	10	7	100
1962:								
Thousand net tons	1,071	1,246	460	299	250	367	407	4,100
Percent	26	31	11	7	6	9	10	100
1963:								
Thousand net tons	1,803	1,279	539	359	349	583	534	5,446
Percent	33	23	10	7	6	11	10	100
1964:								
Thousand net tons	2,446	1,384	676	440	285	692	517	6,440
Percent	38	21	11	7	4	11	8	100
1965:								
Thousand net tons	4,418	1,751	1,178	858	720	644	814	10,383
Percent	43	17	11	8	7	6	8	100

Source: American Iron & Steel Institute.

TABLE 2.—*Trends in the U.S. steel market—1961–65*

Period	Increase in domestic shipments		Increase in imports		Total increase—domestic shipments plus imports	
	1,000 net tons	Percent	1,000 net tons	Percent	1,000 net tons	Percent
1961 to 1962	4,426	6.7	937	29.6	5,363	7.7
1962 to 1963	5,003	7.1	1,346	32.8	6,349	8.5
1963 to 1964	9,390	12.4	994	18.3	10,384	12.8
1964 to 1965	7,721	9.1	3,943	61.2	11,664	12.8
Entire period 1961 to 1965	26,540	40.1	7,220	228.3	33,760	48.7
1965 to 1966 [1]	1,000	1.1	−1,400	−13.3	−400	−0.4

[1] Estimate for 1966 based on recent scattered comments by U.S. steel industry leaders as reported in the trade press.

Source: American Iron and Steel Institute (except 1966 estimate).

TABLE 3.—*1965 U.S. imports and exports of steel-mill products and steelmaking materials and machinery*

[In millions of dollars]

Commodity	U.S. imports	U.S. exports	Balance
Iron and steel products	1,231	629	−602
Iron ore	444	80	−364
Iron and steel scrap	8	198	+190
Bituminous coal	2	465	+463
Petroleum coke		42	+42
Rolling mill machinery	3	65	+62
Total	1,688	1,479	−209

Sources: U.S. Bureau of the Census Reports FT 125 and FT 410.

TABLE 4.—*Effect of steel product imports upon U.S. steel prices, calendar year 1965*

Product	U.S. mill shipments [1] (1,000 net tons)	Imports [2] (1,000 net tons)	Apparent consumption [3] (1,000 net tons)	Imports as percent of apparent consumption	March 1966 BLS Wholesale Price Index [4]
Wire nails	320.6	324.8	645.4	50.3	96.8
Carbon steel wire rods	1,279.3	1,253.8	2,533.1	49.5	101.4
Barbed wire	106.6	74.9	181.5	41.3	96.7
Woven wire fencing	111.9	41.1	153.0	26.9	102.4
Carbon steel standard pipe	2,512.8	746.5	3,259.3	22.9	98.4
Stainless steel drawn wire	27.8	6.6	34.4	19.2	105.3
Stainless steel cold rolled sheets	189.9	37.0	226.9	16.3	73.2
Concrete reinforceing bars	3,149.6	567.0	3,716.6	15.3	96.5
Carbon steel hot rolled sheets	10,215.3	1,797.0	12,012.3	15.0	105.3
Structural shapes	5,787.4	934.6	6,722.0	13.9	110.1
Carbon steel drawn wire	2,776.2	403.3	3,179.5	12.7	103.8
Carbon steel billets, etc	2,093.6	207.3	2,300.9	9.0	106.5
Carbon steel plates	8,572.5	771.7	9,344.2	8.3	107.3
Galvanized steel sheets	4,849.7	394.2	5,243.9	7.5	112.0
Carbon steel cold rolled sheets	16,346.9	1,218.4	17,565.3	6.9	105.8
Carbon steel hot rolled bars	6,989.2	497.0	7,486.2	6.6	106.9
Carbon steel oil well casing	1,227.3	77.1	1,304.4	5.9	107.8
Alloy steel billets, etc	555.3	31.2	586.5	5.3	103.9
Carbon steel black plate	457.7	23.0	480.7	4.8	100.4
Stainless steel hot rolled bars	57.5	2.3	59.8	3.8	119.3
Stainless steel cold finished bars	87.6	2.5	90.1	2.8	108.5
Electrolytic tin plate	6,073.6	121.9	6,195.5	2.0	105.7
Stainless steel cold rolled strip	277.0	5.3	282.3	1.9	94.7
Carbon steel cold rolled strip	1,274.2	19.8	1,294.0	1.5	101.9
Carbon steel hot rolled strip	1,720.0	25.9	1,745.9	1.5	104.3
Alloy steel cold finished bars	275.2	3.9	279.1	1.4	105.9
Carbon steel cold finished bars	1,514.3	18.1	1,532.4	1.2	106.0
Alloy steel hot rolled bars	2,296.8	25.9	2,322.6	1.1	109.0
Alloy steel oil well casing	346.4	2.7	349.1	.8	107.6
Other products	11,174.0	748.3	11,922.3	6.3	
Total	92,666.3	10,383.1	103,049.3	10.1	104.4

[1] American Iron and Steel Institute.
[2] U.S. Bureau of the Census, reports FT 125.
[3] U.S. mill shipments plus imports; U.S. exports and inventory changes not considered.
[4] March preliminary indexes, subject to correction. Base period: 1957–59 average equals 100.

TABLE 5.—*U.S. steel industry labor productivity*

Year	Ingot production (1,000 net tons)	Product shipments (1,000 net tons)	Average number of production workers	Average annual ingot production per production worker (net tons)	Average annual shipments per production worker (net tons)
1961	98,014	66,126	405,924	241.5	162.9
1962	98,328	70,552	402,662	244.2	175.2
1963	109,261	75,555	405,536	269.4	136.8
1964	126,931	84,945	434,654	292.0	195.4
1965	131,181	92,666	458,539	286.1	202.1

Source: American Iron & Steel Institute.

Senator HARTKE. All right, sir.

Just for the sake of correcting the record. With regard to two accusations about inaccuracy in the resolution, on the amount regarding one of the whereas clauses on page 2, I am going to read that: "Whereas at the current steel prices and at the current rate of steel mill product imports, such imports will amount to a drain on the U.S. balance of payments of more than $1.25 billion in 1965," which was stated by the previous witness as being absolutely false and misleading. On the basis of the information on imports for 1965 which were available for that time, and for the immediate past quarter, which was the period of April, May, and June, because this was introduced in September, there were steel imports amounting to $104,521,833 in April, $113,944,449 in May, $135,243,562 in June, which makes a total of $352 million-plus. Now, on an annual basis, this would not be $1.25 million, but since the resolution says more than that, it would be on an annual level of $1.4 billion.

Mr. STITT. Your arithmetic is correct, sir.

Senator HARTKE. Let us just not say, then, that when I make a statement on the resolution, it is inaccurate, and accuse me of falsehood.

Mr. STITT. My suggestion is not the inaccuracy of your statement.

Senator HARTKE. The previous witness said it was absolutely inaccurate and false.

Mr. STITT. My problem is not the estimate——

Senator HARTKE. I can't help what your problem is.

Mr. STITT. It seems to me you should consider the net trade in steel, not just the imports, when you are talking about the imbalance in balance of payments.

Senator HARTKE. I am not objecting if you want that done. I think it certainly should be done. I am just pointing out that when somebody says a statement is incorrect, do not just say it is incorrect, say you object to not including anything else.

Mr. STITT. I will amend my statement, sir, to say I think it is incorrect.

Senator HARTKE. I am not asking you to amend anything.

Now, then, on your statement, you object to the need for the investigation on the basis that no need has been demonstrated. All I can say to you, sir, is that if the facts show there is no need for it, you would not be hurt. I cannot understand why you protest so loudly.

Mr. STITT. All we have said, sir, as I said in my statement, is we are in favor of investigations. However, we believe in an investigation of the scope contemplated by this resolution would be meaningless.

Senator HARTKE. I am not objecting to your suggesting other factors to be included. I just do not want you misstating the facts, which seem to be so prevalent.

I also objected to the Commerce Department. If you listened to the testimony of the Commerce Department, you know that I did not take it that they were overenthused about this resolution at all. In fact, I take the contrary opinion. But I trust them. I do think they would be fair and objective if they undertook it, and the resolution clearly says—if you take the time to read it—"utilizing other appropriate Federal agencies."

You happen to like the Tariff Commission and the previous witness liked another one.

Mr. STITT. No; I think the Council of Economic Advisers, sir.

Senator HARTKE. All right, bring the Council of Economic Advisers in. They are part of the Federal Government. I am not objecting to anybody coming in.

I might point out some of the fine testimony before. This is a fine document you put out. This is part of the multi-million-dollar barrage. It was just not directed in the direction which the previous witness indicated. This is part of the propaganda which I previously introduced, along with this document.

(The document follows:)

[From a pamphlet of the United States-Japan Trade Council, February 1966]

PROTECTIONISM IN DISGUISE: SOME QUESTIONS AND ANSWERS ON THE PROPOSED AMENDMENTS TO THE ANTI-DUMPING ACT

INTRODUCTION

Bills are now pending in the Congress of the United States to effect a series of amendments to the Antidumping Act. These bills have been artfully presented as intended to close loopholes in the present law, to introduce greater certainty, speed, fairness, and efficiency, and to carry out the spirit of the antitrust laws and other existing unfair trade laws. By such presentation the endorsement of over 100 Senators and Congressmen has been obtained.[1]

In fact the amendments would not accomplish the claimed objectives, but would turn the present Antidumping Act—already a significant non-tariff trade barrier—into major protectionist legislation. They would raise new obstacles to the importation of products into the United States and would invite retaliation abroad against U.S. exporters.

Dumping is inherently an elusive concept requiring difficult judgments, first in determining whether an exporter's price to a particular country is unduly low compared with prices for other markets and then in evaluating the consequences of the importations for the industry and the economy of the importing country. Over a period of time, the results of proceedings under the United States law are bound to reflect the judgments of administering agencies as to how the Congressional intent expressed in the Antidumping Act should be carried out in the light of the basic United States economic policies. The results can obviously be altered by shifts in the way the administrators' judgments are applied or by tinkering with the legislatively prescribed standards. Thus, proposals to amend the law cannot be evaluated in a vacuum, or simply by reference to abstract dogma, but only by whether the results over a period are consistent with fundamental U.S. trade policies and interests.

The extremely technical character of the Antidumping Act and of its administration makes it easy to misunderstand the objectives and consequences of the proposed legislation. The legislation has been put forward principally by the American steel and cement industries, which are chagrined because they have not been able to invoke the Antidumping Act successfully to keep out competitive products. The proposed amendments represent an attempt by these industries to alter the rules so that it would be almost impossible henceforth for any dumping complaint to fail.

The objective of this pamphlet is to explain the truly protectionist nature of the proposed amendments and the reasons why they are not compatible with the trade policy of the United States—a policy which was developed under Presidents Roosevelt, Truman, Eisenhower, Kennedy and Johnson and which has received

[1] At the end of the first session of the 89th Congress (October 1965), thirty-two Senators had sponsored S. 2045, introduced by Senator Vance Hartke, and ninety-six members of the House of Representatives had introduced bills like H.R. 8510, introduced by Congressman A. Sidney Herlong, Jr. Altogether one hundred twenty-nine Congressmen have publicly supported changes in the Antidumping Act of 1921, 19 U.S.C.A. §§ 160–72 (hereinafter referred to as the Antidumping Act). The House and Senate bills are identical; citations for the proposed amendments will hereinafter be made to the House bill.

strong bi-partisan support from Congress and overwhelming endorsement from the American people.[2]

This pamphlet is intended as a contribution to a debate on a national issue on behalf of members of a trade association committed to the encouragement of foreign trade, and trade with Japan in particular. Thus we do not claim to be disinterested. We ask only that the propositions here put forward be judged on their own merits in relation to the interests of the United States.

SOME QUESTIONS AND ANSWERS

1. What is dumping?

Under United States law and under the General Agreement on Tariffs and Trade, dumping is selling goods in another country at prices lower than those at which the goods are offered in the home country (or under some circumstances in a third country), when the consequence of such sales is or is likely to be material injury to the domestic industry in the receiving country or to prevent the establishment of such an industry.[3] Appropriate adjustments must be made in order to make a valid comparison of the prices.

2. Is it dumping simply to sell in the United States below prices prevailing here?

No. It is not dumping to undersell a competitor, whether American or foreign, whether in the United States or elsewhere. The notion that "dumping" and "underselling" are equivalent terms is a common misconception of the statute.

3. Is it dumping to sell in the United States below cost?

Not necessarily. The comparison invariably made in a dumping investigation is between *prices* of goods sold in the United States and *prices* of goods sold in the exporter's home country or a third country. The question of *costs* is normally irrelevant.

4. Is it dumping to sell in the United States below the market price in the home country?

Not necessarily. It is dumping only if the result is to cause material injury to an American industry.

Actually, differential pricing, to use a less loaded term, may be beneficial rather than injurious to the country receiving the goods at the lower price.[4] Obviously,

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[2] This pamphlet is designed for the general reader. For a penetrating and more technical analysis of the terms of the bills and their consequences, see "U.S. AntiDumping—At Present and as Proposed by the Herlong-Hartke Bill, —A Report to the American Institute for Imported Steel, Inc.", December 15, 1965, prepared by the law firm of Graubard, Moskovitz and McCauley.

[3] Antidumping Act, 19 U.S.C.A. § 160; General Agreement on Tariffs and Trade (GATT), Article VI (1). The United States statute also provides for a comparison of the price of the exported merchandise with "constructed value," as defined in the statute (19 U.S.C.A. § 165); this provision has had little or no practical application. The United States statute does not state in so many words that injury must be "material"; however, the law has been applied as to require material injury. United States Tariff Commission, Titanium Dioxide from France, A.A. 1921–31 (1963). The language of both GATT and the proposed amendments to the Antidumping Act state that injury must be material.

[4] E.g. Jacob Viner, Dumping: A Problem in International Trade 137–38 (1923). In the classical work on the subject, the eminent economist Jacob Viner, the father of the Antidumping Act of 1921, emphasized that injury is essential to the concept of dumping. The complexity inherent in assessing the economic consequences of sales below home market price is aptly illustrated in the following passage from Viner: "There occurred in England in 1903 in the course of a vigorous controversy in which the supposed need of British manufacturers for protection against foreign dumping played a prominent role what was probably the fullest examination and discussion that has ever taken place of the effects of dumping under specific circumstances on the industries of the country dumped on. English steel manufacturers were at this time making vgorous complaints against German and American dumping, and some of them were claiming that they were suffering serious injury from this dumping. But these complaints lost most of their force when it was demonstrated that two of the most prominent complainants were the heads of steel-manufacturing concerns which had never before been as prosperous as at the very moment when they were allegedly in serious danger of being forced out of business by foreign dumping competition. Another steel manufacturer, who was concerned lest such complaints convert the British public to the policy of tariff protection, challenged the protectionists who were making use of the dumping argument to cite a single instance of an English steel concern which had been driven into liquidation by foreign dumping, and asserted that he knew of many which had been saved from serious financial difficulties by the availability at low prices of foreign dumped raw materials. The valid conclusions to be drawn from this controversy apparently were to the effect that the injury to British producers of raw materials from the foreign dumping was more than offset by the gains to the producers of more highly manufactured steel products from the cheapness of their raw materials resulting from the dumping. The dumping served to hasten the process of shifting from the production of iron and steel to the production of finished commodities which had already been under way and which the changed conditions of the British steel industry demanded in any case." Id. at 142–43.

the consumers in the receiving country are benefited by being able to buy goods at lower prices. If the country does not produce or plan to produce goods of the type in question, the benefit is unqualified. If the country does produce such goods or desires to produce them, then the benefit has to be weighed against any detriment that may result to the domestic producers.

5. Does the United States ever sell goods cheaper abroad than at home?

Yes. It is the official policy of the United States to dispose of its agricultural surpluses abroad at prices lower than the artificially supported home market prices. It is widely known that American corporations, particularly in the chemical and extractive industries, sell large quantities of their goods in foreign countries at prices lower than prices in the United States.

As the Journal of Commerce commented in a recent editorial, "What better country to lead the parade [toward an international agreement on antidumping measures] than the United States itself, which enjoys the double distinction of being at one and the same time one of the world's greatest and most persistent 'dumpers' and one of the nations most sensitive to its evils when its fancies itself the true victim?" [5]

6. Is differential pricing illegal within the American market?

Not necessarily. United States law recognizes that differential pricing is normal in the marketing of goods of many kinds and in many different situations. It is normally good business for a producer to sell additional production at a lower price if in doing so he covers more than the additional cost of producing the goods. Differential pricing is also good business when it is intended to meet competition or to introduce a new product or to reflect differences in costs at different levels of distribution. Price differentials are inherent in the price flexibility essential to a free market economy.

At the same time, American law recognizes that a balance must be struck between the producer's or seller's interest in flexible pricing and the interest of competitors and customers and indeed of the producer himself in a system of fair price competition. The balance is struck by creating sanctions against certain kinds of unfair differential pricing.

Thus the Robinson-Patman Act bars price discrimination between different purchasers of merchandise of like grade and quality *only* when the effect or probable effect is to lessen competition substantially or to tend to create a monopoly.[6] The Robinson-Patman Act also makes it illegal to establish price differentials on a geographical basis in the United States or to charge unreasonably low prices *only* when the purpose is to destroy competition or eliminate a competitor—the classic case of predatory pricing.[7] The Federal Trade Commission Act can be directed against differential pricing *only* when such pricing is found to be an unfair method of competition.[8] The Sherman Act can be invoked against differential pricing *only* when it is the result of combination or is an attempt to establish a monopoly.[9]

In short, whether differential pricing is wrong under American law depends on facts other than and additional to the price difference. It is simply not enough to point to a price differential and cry "foul".

7. Who is complaining about the present U.S. laws, and why?

The Herlong/Hartke amendments to the Antidumping Act were initiated by representatives of the domestic steel and cement industries and are supported by certain portions of a few other industries.[10] In recent years these industries have filed complaints under the Antidumping Act, which for the most part were rejected after thorough investigation under established rules and procedures. Their complaints having been unsuccessful, they are now seeking to change the rules.

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[5] The Journal of Commerce, June 4, 1965, p. 4, col. 2.
[6] § 2(a) of the Robinson-Patman Act, 15 U.S.C.A. § 13(a).
[7] § 3 of the Robinson-Patman Act, 15 U.S.C.A. § 13a.
[8] § 5(a) of the Federal Trade Commission Act, 15 U.S.C.A. § 45(a)(1).
[9] §§ 1 and 2 of the Sherman Act, 15 U.S.C.A. §§ 1, 2.
[10] Senator Hartke stated that a predecessor bill to S. 2045 had the support of the following industries: automotive parts; supplies and equipment; braided rug; cast iron soil pipe; cement; china; copper and brass; electrical and electronics; fine and specialty wire; fish; glove; hardwood plywood; hat; musical instrument; scientific apparatus; shoe and leather; tool and stainless steel; vegetable and melon; wire and cable. 111 Cong. Rec. 12541 (June 9, 1965).

8. What are the important steps in applying the American Antidumping law?

Briefly summarized, the Antidumping Act of 1921 provides as follows:[11] If

[11] These procedures in the Bureau of Customs and the Treasury Department are described in detail in 19 C.F.R. §§ 14.6,-.13, 16.21,-22. There are no special procedures for the Tariff Commission phase of an antidumping investigation. The following is a more detailed description of the stages of an investigation. If it has reason to think there may be dumping or if there are complaints, the Bureau of Customs makes an investigation to determine whether or not the products in question are being sold in the United States at prices lower than those in the home market (or under certain circumstances in third countries). The statute also provides for a comparison of the prices in the United States with "constructed value," but this comparison is rarely if ever made. 19 U.S.C.A. §§ 164, 165.

The first step in the investigation is to screen the complaint at the Bureau of Customs in Washington and to return it to the complainant if it is "patently in error" or if the product in question is imported and is likely to be imported in only insignificant quantities. If the complaint passes this threshold step, a notice is published in the Federal Register stating that a described product imported from a particular country or from a particular firm or firms is being investigated and summarizing cursorily the information available to Customs. This is referred to as an "Antidumping Proceeding Notice." 19 C.F.R. 14.6(d)(1)(i).

The next step is the preparation of a questionnaire by the Bureau of Customs for transmittal to the firms said to be dumping. Usually the questionnaire is sent to the foreign firm by way of diplomatic channels; the country whose firms may be involved is kept informed through the Department of State. Invariably a quite lengthy document, the questionnaire asks for detailed information on the volume of home country and export sales, channels of distribution, credit policies, prices of merchandise during a given period, specifications, circumstances of sales, etc. The purpose of these questions is to determine which prices should be compared (prices of exported products with either home country or third market prices), whether purchase price or exporter's sales price, and what the ex-factory prices in the period actually have been. "Purchase price" and "exporters sales price" are technical terms, and refer to the price charged in the United States or to the United States. 19 U.S.C.A. §§ 162, 163. Choosing one price or the other depends upon whether the United States sale is made by a subsidiary or branch in the United States or by a foreign corporation outside the United States. The questionnaire also seeks information necessary to determine whether there are differences between the products sold in or to the United States and those sold at home or in third countries in the specifications or in the circumstances of sale or in other relevant factors that ought to be taken into account to make a price comparison valid. Supplementary requests for information usually follow the questionnaire, and it is not uncommon to send Treasury agents in the country concerned to the offices of the company or companies for on-the-spot investigation. At this and other times, persons with an interest in the investigation are free to give data and views to the Bureau of Customs informally. Since a dumping investigation is not an adversary proceeding, there is maximum flexibility in furnishing information the government needs.

When evidence has accumulated showing reasonable grounds to suspect sales below the foreign market value, the Bureau of Customs orders a "withholding of appraisement." 19 C.F.R. § 14.6(e). This is an instruction sent to the various United States ports of entry, and published in the Federal Register, directing the ports to suspend the collection of duties on the products under investigation from the company or country concerned. It is referred to as a "withholding of Appraisement Notice." Under certain circumstances, the withholding applies not only to current importations but also to any importations on which duties have not been paid and which were imported from 120 days prior to the day on which the question of dumping was raised. 19 C.F.R. § 14.9(a). A withholding notice does not mean that the merchandise must be left in a warehouse until the dumping investigation is over. It does mean that the importer must put up a special bond to cover additional duties which would be owing if "dumping" is eventually found. Obviously such a bond can be a substantial expense to the importer, particularly if the withholding is retroactive. Obviously, too, a withholding notice creates uncertainty about an importer's potential liability for duties and hence the real price he pays for his merchandise; for a variety of reasons duties may not be "liquidated" (i.e., finally paid) for many months or even a year or more after the goods have been entered at a port and shipped into the stream of domestic commerce.

This stage of the investigation is called in technical jargon a "less than fair value" (LTFV) investigation. It will last at least several months and perhaps a year or more. It is concerned with ascertaining the prices to be compared and, most importantly, the adjustments which must be made in quoted prices to make the comparison meaningful and fair. The calculation and allowance of adjustments is both the most crucial and the most complex aspect of it, since it is the adjustments rather than the list prices which establish the actual ex-factory prices to be compared. At the conclusion of this investigation the Bureau of Customs' information and recommendations are referred to the Assistant Secretary of the Treasury with jurisdiction over Customs matters.

The Assistant Secretary examines the Customs report, accepts, modifies, or rejects the recommendations (or perhaps requests further study), and after drawing his own conclusions publishes in the Federal Register a "Notice of Tentative Determination" that there have or have not been sales at less than fair value. The notice provides that interested persons (not simply the complainant) may submit relevant information or views within a stated period of time; if the Secretary wishes, he may even hold a hearing. After all of this has been done, the Secretary makes a final decision that there have or have not been LTFV sales and publishes a notice to that effect in the Federal Register. 19 C.F.R. § 14.8(a).

What has been described is a full-scale LTFV investigation. Of course, the investigation may terminate before all these steps are taken, either because there is no case or because the foreign firms said to be dumping have revised their prices and given assurances they will err no more, or stopped selling in the United States; or it may be there is reason to think, from complaints or other information, that there may be dumping, the Treasury Department investigates to determine whether or not the imported products are being offered at "less than fair value". "Less than fair value" is a technical term which, roughly stated, means less than the price at which similar goods are being offered in the home market or in third markets, after appropriate price adjustments to make the comparison valid. An example of such adjustments are the various costs associated with sales in the home market that are not normally connected with export sales.

Additionally, there is one other decision taken during the price investigation which is of vital importance to importers. Treasury may order a "withholding of appraisement" on all entries at any time the evidence collected begins to indicate probable less-than-fair-value prices. This means a suspension of their duty status pending the outcome of the dumping duty issue. Thus, the pricing of subsequent import shipments becomes uncertain.

If the Treasury Department finds sales at less than fair value, the case is then sent to the Tariff Commission to determine whether or not there is injury to an American industry. If the Tariff Commission finds injury, the matter then goes back to Treasury for calculation of a special customs duty to be imposed on the products in question from the country concerned (or sometimes from the particular producer); this duty is equal to the difference between the home market price and the export price. The dumping duty, as it is called, is intended to bring the price at which the goods are offered in American markets up to a price which is not a less-than-fair-value price.

There are thus two critical aspects of the decision whether a dumping duty should be applied. The first is the determination of sales at less than fair value, and basic to this are the adjustments allowed by Treasury in making price comparisons. The second is the determination of injury, and basic to this are the concepts of injury which are applied by the Tariff Commission.

9. What kind of changes are being proposed?

Some are so unreasonable that it is difficult to believe they are seriously intended. At the other extreme, some are merely declarative of present practice. The latter have apparently been included in order to appear fair and reasonable, the former in order to have some sacrificial offerings to pacify the objections of the trading community. Somewhere in between are changes which would, if enacted, seriously alter the impact of the Antidumping Act.

The changes fall into three categories:

Standards for determining fair value.—As indicated above, a critical phase of an antidumping proceeding is the calculation of adjustments that must be made to establish a fair comparison between actual foreign prices and actual prices for sale to the United States. The amendments would introduce rigid formulas which would make it virtually impossible to claim legitimate adjustments.

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terminated for some good reason at the discretion of the Secretary. 19 C.F.R. 14.7(b)(9). In the latter situations, there is not made a LTFV determination, properly speaking.

The second stage of a dumping investigation is to determine whether there is material injury to a United States industry. The responsibility for this determination belongs to the Tariff Commission. The Commission must complete its investigation within three months. 19 U.S.C.A. § 160(a). Although usually not as lengthy as the Treasury proceedings, this stage is quite as important as the LTFV investigation.

The Commission may or may not hold a public hearing, but usually does so, either on its own motion or upon request. 19 C.F.R. § 208.4. It is not an adversary proceeding, but interested persons (for example, the complainant and the person said to be dumping) usually make arguments to the Commission on the question of injury and the definition of an industry, are questioned by the Commissioners and the Commission's staff, and may be cross examined by each other. The Commission staff supplements a hearing with its own studies of an industry, virtually all of which are confidential and therefore unavailable to persons on the other side of the proceedings. If the Commission finds no injury, the investigation at last comes to an end. If it finds injury, the investigation is referred back to the Treasury for the final stage.

The third and final stage is the calculation of the special dumping duty. 19 U.S.C.A. § 161(a). This is published in the Federal Register and is a duty equal to the difference between the actual home market (or third country) prices and the actual prices at which the goods were sold to the United States purchaser. It is added to the usual duty on the merchandise and its purpose is to bring the price at which goods are offered in American markets up to a price which is not a less-than-fair value price. It applies to all past importations which have been subject to a withholding and applies to all future ones where there occurs an appropriate price discrepancy. Theoretically, the special duty can continue forever; as a practical matter, prices adjust or sales cease, and there are provisions in the regulations for seeking a revocation or termination of the special duty. 19 C.F.R. § 14.12. There are, however, no procedures in the statute for revoking the special dumping duty.

Standards for determining injury.—The Tariff Commission now enjoys considerable discretion, and possesses considerable expertise in determining whether there is injury to an industry in the United States. It is analogous in this respect to courts and regulatory agencies which apply other economic legislation, such as the antitrust laws and the statutes regulating shipping. The amendments would introduce a series of automatic, conclusive tests of injury which would make the Tariff Commission a rubber stamp. Reasoned analysis of the economic significance of the facts would be virtually eliminated from the injury determination.

Procedure.—The procedural changes are designed to give domestic producers greater access to confidential business data obtained from their foreign competitors and greater opportunity to harass them administratively and in the courts. Parties to the import transaction would not be granted equivalent opportunity to challenge data supplied by the domestic producers.

10. What is wrong with these changes in principle?

The sensible test for judging whether amendments to the Antidumping Act are needed at all is whether the act as now administered serves the purpose for which it was enacted, that is, protection of American industry from unfair, predatory foreign price competition. There is no evidence that the act as administered does not serve that purpose. Therefore, amendments which would result in the imposition of dumping duties in many more cases can only be assessed as protectionist. They would be contrary to the policies which the United States is pursuing under the Trade Expansion Act of 1962, and indeed which it has pursued since the Trade Agreements Act of 1934.

Conceptually, the amendments embody a number of fallacies.

They are based upon the assumption that it is possible to formulate rigid rules which will eliminate uncertainty from an administrative process that necessarily involves human judgment.

They would eliminate from the Act a meaningful concept of injury by establishing test of injury which would straightjacket the Tariff Commission's expertise and ease out of the statute notions of economic detriment.

They appropriate concepts from American antitrust and trade regulation laws, confuse them with each other, and then apply them to the unrelated field of dumping. The Federal Trade Commission Act, a trade regulation statute, declares illegal "unfair methods of *competition* in commerce"; and the Robinson-Patman Act, an antitrust statute, is concerned with price discriminations which lessen or injure *competition*. The Antidumping Act, on the other hand, operates to protect American *industry* from material injury attributable to a special kind of price competition from abroad. The standards for determining injury to an *industry* and injury to *competition* involve completely different considerations. To incorporate concepts from domestic price discrimination laws into the Antidumping Act would require the addition of new criteria for injury, including a determination as to whether imports have enhanced or diminished competition.

Finally, the amendments are wrong in concept because they would transform what Congress conceived as an investigatory proceeding by responsible government agencies into a trial by combat between domestic industry and foreign industry.

11. How would the proposed amendments affect the Treasury's "withholding of appraisement"?

The proposed legislation, by establishing almost irrebuttable presumptions throughout the Treasury investigation, would make "withholding of appraisement" practically automatic. Withholding of appraisement is a harsh enough measure under the present statute; multiplying the occasions for withholding would severely penalize importers in most cases, whether or not dumping was ever eventually found.

A "withholding of appraisement" is in some respects more onerous than the levying of the special dumping duty. Under the present statute the Treasury Department may, at its discretion, order a withholding at some time in the course of an investigation. The effect of the withholding is to suspend the collection of duties on the merchandise subject to the investigation, pending the final decision on the imposition of the special dumping duty.

Putting the final price of the merchandise in doubt obviously will inhibit its sale, since importers and their customers are reluctant to assume an unknown cost which may not be ascertained for months and which may mean the difference between profit and loss on the transaction. Withholding of appraisement is often sufficient to stop the import trade completely. Whatever the merits of withholding under the present statute, the proposed amendments would seriously increase the commercial hazards of an investigation to the exporter and importer, even though the Treasury ultimately finds that sales at less than fair value did not take place.

12. Would the amendments make for speedier proceedings?

Not necessarily. They would speed up the disposition of dumping investigations by setting arbitrary time limits unrelated to the facts and complexities of a given case. On the other hand, they would lead to more and longer investigations insofar as they diminish authority to dismiss frivolous complaints and allow for novel appeals to the courts.

First, the amendments would require that a decision to dismiss a complaint *wholly* unsupported by evidence must be made within 15 days after receipt of a complaint.[12] It is hardly likely that an industry or company will make a complaint with no supporting evidence whatever, whether or not the evidence is, legally speaking, of probative value. And 15 days after delivery is scarcely time to examine a complaint with a responsibly critical eye. Non-dismissal of frivolous complaints at the outset means that the mechanism investigation must travel through its full cycle without regard to the real significance of the facts in the complaint.

Second, the amendments would require the Bureau of Customs and the Treasury Department to wind up their investigations and come to their final determinations within six months after receipt of a complaint unless the Secretary of the Treasury reports to certain Congressional committees why more time is needed.[13] This is likely to mean that all but the most complex investigations will terminate within six months. Most antidumping investigations are hard, complicated work for the investigators and the investigated; time passes in asking for information, collecting it, organizing it, translating it, reporting it, evaluating it and supplementing it. An effective six months time limit shortens the investigation by short circuiting it; what is gained in time is lost in fairness and precision—to the detriment of either the foreign or domestic industry.

Third, the amendments provide for judicial review of a Treasury determination of no sales at less-than-fair values.[14] This is a novel concept, both to the Antidumping Act and to American administrative law, which does not contemplate court appeals by private persons of governmental decisions made by the government on its own behalf and within its own discretion. A statutory multiplication of opportunities for appeal does not expedite proceedings; it guarantees their prolongation.

13. Would the amendments make antidumping proceedings more "certain", as has been claimed?

Yes, in the sense that there would be a greater likelihood of findings adverse to imports. In every other sense, no. The proposition that proceedings of this nature can be made more certain by more specific standards in the Act is merely camouflage for a guarantee that the results will be more one-sided. Statutes which provide for sanctions upon a showing of particular economic consequences do not lend themselves to certainty, and no amount of fiddling with statutory language can alter this. Both the Treasury Department and Tariff Commission have built up precedents over the years and these precedents are well known to practitioners in the antidumping field. They allow a reasonable degree of predictability, and this is all that can be expected.

14. Are the proposed amendments with respect to evidence justified?

No. The amendment would place several burdens upon the foreign supplier and the importer that they do not now have. For example, the amendments make a price list virtually conclusive evidence of foreign market value,[15] although a price list, particularly in foreign markets, often is no more than a bargaining position, and is recognized as such. Again, adjustments to the sales price necessary to establish realistic ex-factory prices for comparison purposes can be claimed under the new amendments only when the vendor "actually" considered

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[12] H.R. 8510, § 6, adding new § 212 (b) to the Antidumping Act.
[13] H.R. 8510, § 6, adding new § 212(e) to the Antidumping Act.
[14] H.R. 8510, § 6, adding new § 212(j) to the Antidumping Act.
[15] H.R. 8510 § 4, amending § 205 of the Antidumping Act.

them and took them into account when setting his prices.[16] Demonstrating his state of mind with respect to all the factors affecting a price at the time of quoting it is an impossible task for the seller. Still another provision would severely penalize an importer or foreign exporter willing to comply with reasonable provisions for disclosing confidential business data to government agencies, but unwilling to expose such data to his American competitors.[17]

There are limitations to the burdens which may be placed upon foreign suppliers for the privilege of doing business here—limitations prescribed by concepts of sovereignty, reciprocity and the delicacies of international relations. The proposed amendments overstep these bounds.

In short, the investigation into selling prices here and abroad requried under the Antidumping Act is one which must be handled with discretion and good sense, as on the whole it has been in the past. Yet, with the best will in the world, no government agency could act with the needed discretion and good sense when operating under a rigid and one sided statute.

15. How would the proposed tests of "injury" operate?

Unfairly. The new tests for injury set out in the proposed amendments to the Antidumping Act[18] refer in passing to a "material injury" and then proceed to write materiality out of the statute. As a result—

Mere transient damage in one city could lead to the imposition of special dumping duties at all ports of entry throughout the United States.

Past transient damage to a U.S. industry could be used to support a finding of injury despite the possibility of the industry's present and future healthy economic condition.

Mere incidental damage for only three months (not necessarily consecutive) in an extremely limited industry market, such as one single port city, would make mandatory a Tariff Commission determination that an industry was injured.

A slight decline for only one month in the price levels of the domestic industry in that same extremely limited market area would require a Tariff Commission finding of injury.

A slight decline in employment for three months in the one or two companies possibly supplying the same extremely limited market area would require a Commission injury finding, despite the fact that increased company productivity, rather than import competition, might be the major reason for the decline in employment.

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[16] H.R. 8510 § 2, amending § 202 of the Antidumping Act.

[17] H.R. 8510 § 6, adding new § 212 of the Antidumping Act.

[18] H.R. 8510 § 1, amending § 201 of the Antidumping Act. Proposed § 201(b) would require the Tariff Commission to find injury when—

(a) The merchandise sold at less than fair value has equalled 5% or more of either units sold or gross sales receipts of domestic merchandise found to be competitive with the imported merchandise and sold in the competitive market area, during any three months (not necessarily consecutive) in the period beginning six months prior to the beginning of the LTFV investigation and continuing up to the conclusion of the injury investigation. For purposes of this determination, domestic merchandise competitive with the imported merchandise is merchandise reasonably interchangeable in use with the merchandise under investigation. The competitive market area is any geographical area in the United States where the imported merchandise has been sold in competition with the appropriate domestic merchandise. (The definitions of competitive merchandise and competitive market are set out in proposed § 201(f)(3),(4)). The Tariff Commission need not find injury when "clear and convincing" evidence is presented that the domestic industry would not have increased its sales even if there had been no sales of the foreign merchandise under investigation; or

(b) The merchandise sold at less than fair value was a "contributing cause" to a decline of 50% or more in the prices (as measured by units sold or gross sales receipts) of the competitive domestic merchandise supplied to the competitive market area in any one month in the period beginning six months prior to the beginning of the LTFV investigation and continuing up to the conclusion of the injury investigation; or

(c) The merchandise sold at less than fair value was a "contributing cause" of a 5% or greater decline in the direct labor employed in the domestic industry producing merchandise like that supplied to the competitive market area during any three months (not necessarily consecutive) in the period beginning six months before the LTFV investigation and continuing up to the conclusion of the injury investigation. Note that the labor force need not be employed in an "industry" actually supplying competitive merchandise to the competitive market area. The decline is measured against average monthly employment in the year prior to the date the LTFV investigation began; or

(d) The merchandise sold at less than fair value has been a "contributing cause of any anticompetitive effects in any competitive market area."

The examples given in the text are representative applications of the proposed injury tests summarized above.

If, because of imports, a few U.S. businessmen supplying the same limited market area did not realize the profits they had expected to make in that market, the Commission would have to find injury.

Purely conjectural future injury would be sufficient to support a dumping finding.

16. How would the proposed definition of "industry" operate?

Unrealistically. A domestic industry would consist of "vendors" who supply a product "reasonably interchangeable in use" with the imported product to *any* place in the United States where the imported product has been supplied in competition.[19] A vendor could be a major manufacturer or a street stall. Products reasonably interchangeable in use could be as different as steel and aluminum, and need not even be produced by the same industry. Any place in the United States could mean an area ranging from a city block to the Eastern seaboard. In short, the domestic industry to be protected from "material injury" would be very much what a complainant says it is; and the Tariff Commission would possess no authority under the amended statute to assess the impact of less-than-fair-value sales with logic or common sense.

17. Should the domestic industry be entitled to judicial review?

No. There can be no objection to review of a determination at the instance of an importer or exporter, since he is legally a party to the proceeding. The issue is between the government and the person responsible for the merchandise allegedly dumped, and that person is directly affected. The complaining domestic industry's position is quite different. It is not a party to the proceeding, which in any event is not an adversary proceeding. Its complaint may set the wheels in motion, but the responsibility for the investigation is that of the government agencies. One important reason for this is that only the government agencies can, in fairness, be trusted with the confidential business data involved in making a determination.

The rules of the Federal Trade Commission, which likewise is concerned with the protection of the public interest, put the matter aptly:

"The person making the request [for Commission action] is not regarded as a party, for the Commission acts only in the public interest and its proceedings are for the purpose of vindicating public, not private, rights."[20]

The government agencies which administer the dumping law also act to vindicate public, not private, rights.

18. Has there been time to judge the effect of the new antidumping regulations promulgated by the Treasury Department at the beginning of 1965?

No. Very few proceedings have been carried through under the new regulations. There has been no opportunity and no reason to conclude that the revised regulations are inadequate to deal with problems which have been raised by the American producers. These regulations went very far to meet points of view which the American producers had advanced, and in some respects the proposed amendments simply confirm the regulations. For example, the regulations already provide for confrontation as requested by the domestic industries and go much too far in providing the possibility of wide access to confidential information furnished by importers or foreign producers. Nevertheless, desipte the success of the U.S. producers in obtaining substantial amendments to the regulations, and with the new regulations scarcely tested, the same interests are pressing for further changes through amendments to the statute itself.

19. How would it affect the American economy if the proposed amendments were added to the Antidumping Act?

Adversely, by promoting inflation. Tightening the antidumping laws in a spirit of protectionism would have particularly serious consequences for the U.S. economy because the changes are sought with particular fervor by industries, like steel and cement, whose goods are of fundamental importance to the price structure of the whole economy.

Government policy in the United States today is doing everything possible to provide a favorable climate for business growth, within a framework of stable prices. The approach to full employment, however, places the economy under severe inflationary pressures. It is essential that these pressures be resisted if growth is to be maintained with due regard to the protection of the U.S. balance

[19] H.R. 8510 § 1, amending § 201 of the Antidumping Act.
[20] F.T.C. Rules of Procedures § 1.12(c).

of payments. In these circumstances, no one thing is of more critical importance to the nation's economic policy than the price of steel and other basic goods. Imports have have played an extremely important role in maintaining noninflationary prices for these products in a free market. The proposed amendments to the Antidumping Act would harshly curtail that role.

20. How would foreign countries react to these amendments?

By retaliation. They would reconsider their own laws and procedures with respect to goods alleged to be dumped within their own borders. Where imports from the United States are involved, they undoubtedly would resolve complaints more frequently against American goods. U.S. legislation along the lines of the proposed amendments would thus lead to the escalation of trade barriers around the world and would redound to the detriment of American exports.

21. How would these amendments affect the Kennedy Round of tariff negotiations pursunt to the Trade Expansion Act of 1962?

Enactment would throw a monkey wrench into the negotiations in Geneva under the Kennedy Round, where the application of anti-dumping rules and regulations are already under review as nontariff trade barriers. As was recently said by a leading American industrialist: "Instead of raising more restrictive trade barriers—such as are being currently proposed in antidumping measures—we should be exercising keen sensitivity about the adverse effects these could have upon the delicacies of the bargaining situation at Geneva." [21]

22. How would the proposed legislation affect international efforts to harmonize anti-dumping measures?

It would be disruptive. These efforts are presently being made under several different auspices. One approach is through the Secretariat of the General Agreement on Tariffs and Trade; another is through the Organization for Economic Cooperation and Development. Joint resolutions are now pending in the House and Senate which would instruct the United States Government to prepare for and participate in an international conference on dumping.[22] The major objective is to bring U.S. practices into harmony with those of other nations so that the United States is neither justly criticized because of its own practices nor suffers unfairly from foreign practices in the anti-dumping field.

FEBRUARY, 1966.

Senator HARTKE. One other thing. On page 5, you make a statement there which leaves the impression, I thought—maybe I am wrong. I think this is probably a true statement that in the past decade, the United States has had a favorable balance in all but two years, amassing a cumulative surplus of about $2 billion. However, I quote from the Survey of Current Business of March 1966, volume 46, No. 3 on pages 22 and 23 on the balance of goods and services, which is in regard to the balance-of-payments account. It showed in 1964 a favorable balance in favor of the United States—correct me if I am wrong now—of $152 million in 1964, which I say has deteriorated—and you can use any other word you want to—but which went to a $397 million deficit in 1965.

Mr. STITT. May I comment on that, sir?

Senator HARTKE. Yes.

Mr. STITT. This happens to be a time when the United States is, as we all know, in a very healthy, booming economy. Japan, unfortunately, is having a depression. Obviously, at a time like that, the trade tends to flow from the depression-ridden economy into the economy where sales are high.

Senator HARTKE. That is when they made this substantial reduction in price of steel, too, is that not true?

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[21] William Blackie, President, Caterpillar Tractor Company, addressing the National Foreign Trade Convention, Nov. 15, 1965.

[22] S. Res. 188, 89th Cong., 1st Sess., 1965; H. Res. 405, 89th Cong., 1st Sess., 1965.

Mr. STITT. The substantial reduction in the price of steel, sir, took place—I believe the Commerce study was based on a 1952 index of 100. It shows on the basis of 1952 as 100 the export prices of Japanese steel products have been gradually trending downward to a level of about 75 in 1965—74.1 to be exact. This 25-percent reduction in export price, I think, sir, can be attributed to three things: An increased efficiency in the Japanese steel industry, a more highly competitive situation between the major Japanese steel producers, and their willingness to sacrifice a certain amount of profits to make sales.

Senator HARTKE. Well, there may be a difference of opinion on efficiency, but the point still remains that I go back to this basic period of 1965, and quote an article in the Journal of Commerce for November 17, by Sidney Fish in which he analyzes: "Steel Prices Dip Sharply on Continent."

Intensified price competition offered by the European mills is contributing to the keenly competitive steel markets in the United States. Importers in recent years have under-sold the domestic mills by as much as $30.00 a ton.

The new price cuts widen the spread between domestic and overseas prices. Japanese steel mills this year have under-sold the European mills, and have taken a larger share of the United States market.

I make that a part of the record just as an indication that during this period in which we had this tremendous change of a surplus position in the balance of goods and services account, from the positive to the negative position, that we also had this decrease in the price of steel, which was, I say, and which I understand was dumped. Maybe it was not dumped. I understand that is a bad word. The industry was told educators generally regard it as anti-intellecutal at the moment, but it still is a law of 1921 which I would like to see amended. I am still in favor of its amendment.

(The article referred to follows:)

[From the Journal of Commerce, Nov. 17, 1965]

STEEL PRICES DIP SHARPLY ON CONTINENT

(By Sidney Fish)

European steel prices have dipped sharply in recent months, reflecting excess capacity and reduced demand.

The accumulation of large stocks of steel by buyers in the United States, and the resultant falling off in American buying has been a factor in the European price recession.

American buyers stocked steel heavily early this year against a possible strike. The peaceful settlement with the United Steel workers left about 10 to 12 million tons of surplus steel in users' hands. Until this stockpile is reduced, buyers in this country will be ordering in lower than normal quantities.

Reductions in prices by European mills have amounted to as much as $12 to $17 a ton since last Spring. Most of the decline has come in recent weeks.

HIGH IMPORTS SEEN

The reduction in European steel prices will be a factor in continued high imports next year, according to domestic producers.

They are expecting that imports will be reduced for a few months, but that for 1966 as a whole, imports will come close to nine million tons, compared with the record-breaking 10 million tons imported this year. Last year's imports were 6.5 million which set a record at that time.

Intensified price competition offered by the European mills is contributing to the keenly competitive steel markets in the United States. Importers in recent years have undersold the domestic mills by as much as $30 a ton.

The new price cuts widen the spread between domestic and overseas prices. Japanese steel mills this year have undersold the European mills, and have taken a larger share of the U.S. market.

In the United States, steel prices quoted by American mills has been relatively firm, despite the temporary reduction in demand. Two American companies—Wheeling Steel and Phoenix Steel—have been offering price guarantees on some products, for periods ranging from three to six months.

But the major producers, including U.S. Steel, Bethlehem, Inland, Jones and Laughlin, and National Steel, have announced that they would not extend such price guarantees, and would continue to price their products on the basis of "price at time of shipment."

The latter method of pricing enables a mill to raise its prices promptly, if demand should increase early next year, as is expected. Steel companies generally have been talking about the need for price rises following the recent rise in wages. But aside from a boost of 25 cents a base box on tinplate, the American steel mills have held the price line.

ONLY SELECTIVE RISES LIKELY

In view of the strong action taken by President Johnson against the rise in aluminum prices, it is felt that only selective price rises, warranted by higher costs of raw materials and labor, are likely to be attempted in steel. If imports remain heavy, at extremely low prices, this could postpone a price boost for some American products.

It is not unusual that in periods of weak demand, such as the present, that some American companies extend "favors" to buyers. Such favors are usually in the form of "overgrading," a practice which involves shipment of a higher priced steel at the same price as a lower quality product. In general, however, prices of the domestic mills are firm.

The price guarantees offered by Wheeling Steel were for a six months' period. A spokesman for the company said the response to the company's move from csutomers has been "very good." While shipments in the last couple of months have held up at the September rate, the order backlog is rather low.

The company, the spokesman said, has had some inquiries from new customers, as a result of the price guarantees. It is negotiating with these customers, but has not booked any business as yet from them.

The Steel makers in the United States and in Europe have this common problem: They are being forced by competition to modernize, to reduce costs and improve the quality of their products; but in the process of modernizing, they realize an increase in their capacity. Hence, the amount of available steel, both in the United States and in Europe, is constantly increasing. On some products, the supply is outstripping the demand.

Mills in the U.S. have met this problem by de-activating some obsolescent mills during the current decline in demand. But the capacity coming on stream from new mills is substantial.

INGOT CAPACITY UP

In the European Coal and Steel Community, which covers France, Germany, Holland, Italy, Belgium and Luxembourg, ingot capacity has risen to nearly 100 million tons a year, from 59 million tons 10 years ago.

The excess capacity created by modernization programs has resulted in sharp price cutting in the European Common Market. The importers usually sell in the U.S. at levels below the European prices.

One steel importer said prices at which steel can be bought in Europe are currently lower than at any time in the last 15 years.

Mr. STITT. Sir, I would like to draw your attention to a very recent edition of the American Metal Market, in which Mr. Inayama, president of the Yawata Steel Co., sixth largest steel company in the world, and also president of the Japanese Iron and Steel Federation, in an exclusive interview, indicated that Japanese steel export prices are definitely on the rise—export prices.

Senator HARTKE. Since they heard about this resolution?

Mr. STITT. No, it is the forces in the market, sir, that control those prices, not your resolution, I am sorry to say. Maybe I should say I am glad to say.

Senator HARTKE. Let's come back to the statement in which you talk about the favorable balance in all but 2 years, amassing a cumulative surplus of about $2 billion. However, if you take into consideration the c.i.f.-f.o.b. situation, that would not be true, would it?

Mr. STITT. If you took the c.i.f. both ways, that would still be true; yes, sir. If you are trying to get these shipping proceeds into the value of the product, we think it is a mistaken notion. That belongs in the invisible balance of trade.

Senator HARTKE. How does Japan handle their accounting?

Mr. STITT. Japan shows its statistics and levies its duties on a c.i.f. basis.

Senator HARTKE. And we do not?

Mr. STITT. We do not. I think we are right.

Senator HARTKE. It really does not make too much difference what you do as long as you know what you are talking about, is that right?

Mr. STITT. I hope we both know what we are talking about.

Senator HARTKE. I am trying to say when you give these statistics, and we talk about a favorable or unfavorable balance of trade, the important fact is that we are not trying to undo something. What we we are trying to do is make a decision on the basis of the facts.

Now, the point of it is that we have an international monetary conference which, at least as far as France is concerned, since she is one of the group of 10 participating, has stated that they are not interested in coming to any type of agreement until we have put our own house in order on this balance-of-payments situation. All I am trying to say in regard to all of these other things, is that this is one of the biggest factors in that situation. Since it is a big factor, I think it is entitled to be analyzed in relation to what it is doing.

Mr. STITT. Mr. Chairman, I was in Seattle last week and heard a representative of the Boeing Aircraft Co. say that they have on the order books $2.5 billion worth of orders for jet airplanes from abroad. How would we feel if the foreign countries were to start investigations on the effect of the export of our jet aircraft on their balance of payments?

Senator HARTKE. I think it would be fair.

Mr. STITT. You really do, sir?

Senator HARTKE. I really do. I do not see why any country should not be interested in the facts. I do not know why anybody has to be afraid of the facts. Whatever conclusions you draw, there is no legislation proposed in this resolution. This is a simple investigation as to the facts. If you are afraid to face up to the facts, then I suggest you oppose this resolution. If you would like to have the facts and have them accurately and objectively reported, I think the Commerce Department would do that even though they are really basically opposed to the resolution.

I trust them. I just do not think they are going to lie about the facts.

Mr. STITTS. Senator Hartke, could I read into the record a portion of an article in Iron Age magazine for May 19th of this year?

> Senator Hartke also pointed out that the data from the steel import study would be needed soon if the industry wanted to curb imports through legislation.

Senator HARTKE. That is right.

Mr. STITT (continuing):

> He said he planned to use the results of the study to push for revision of the Trade Expansion Act when it comes up for renewal in January.

Senator HARTKE. No question about that.

Mr. STITT (continuing):

> He also plans to use the results to press for antidumping legislation.

Senator HARTKE. That is right.

Mr. STITT. That does not sound to me like you are looking for an impartial, unbiased investigation.

Senator HARTKE. I have done a lot of work on these things and I have come to my own conclusions on some of these matters. I am entitled to come to some of those conclusions, but I am not prejudging what the Commerce Department is going to say. I trust them. If their facts do not justify what my own investigation and my staff have reported to me, I certainly would stand corrected.

Mr. STITT. Then you seem to agree with this except from the article, sir, that this study is definitely intended to produce materials to be used in producing restrictive trade legislation?

Senator HARTKE. I think this material is just going to confirm what I think the situation is. I think that is a different point of view, that is all. I am not asking you to agree with it. I can see where your economic benefit is on the other side. I want to commend you for doing an outstanding job of defending that position.

Mr. STITT. One more point I think I ought to stress before I leave the stand, sir.

I would like to point out that your whole thrust seems to ignore the benefits we acquire by exporting. For example, the steel that is exported from Japan to the United States helped Japan to earn the dollars to buy $17 million worth of soybeans from Indiana last year.

Senator HARTKE. I understand that.

Mr. STITT. And $50 million worth of goods from Indiana last year in total.

Senator HARTKE. I know we are a great producing State.

Mr. STITT. Do you not like to sell soybeans to Japan? Do you not want Japan to earn dollars?

Senator HARTKE. We produce more steel than any State in the United States. I think we are No. 1 in soybeans and I am not sure, but I think we are No. 2 in hogs.

Mr. STITT. $11 million worth of machinery to Japan last year.

Senator HARTKE. I am proud of our industry, proud of our agriculture. We have a real fine State there.

Mr. STITT. Unless Japan can earn dollars to buy your soybeans and your machinery by exporting steel, you are not going to sell the soybeans.

Senator HARTKE. If you carry this far enough, I go back to 1959 like I did, to the unemployment lines in Gary, Ind. I walked up to a man and said "How are you, sir?", and he said "Not too good, I am going to get my unemployment check."

Mr. STITT. He was on strike in 1959.

Senator HARTKE. Now wait a minute. You do not want to hear this story. I understand. It is a pathetic story.

I said to him "You are going to get your check. How do you feel?"

He said, "I want to go to work. I don't want an unemployment compensation check. I have six children."

I said, "It is a rather difficult problem when you come home at night to face your wife. I imagine she is rather upset with you that you do not have a job."

He said, "If my wife were not a fine lady, this would be living hell."

Let me say to you, sir, I am as much concerned about those dollars coming in from Japan. I am not going to be anxious to produce a situation which will affect that.

But I did a little work on this, too. I was on the Committee on Unemployment Problems, Eugene McCarthy was the chairman. I went down to a place called Pikeville, Ky. This is in the congressional hearings on the unemployment problems. When you have men out of work, it is pretty rough, too. I do not want just to idly sit by and take account of facts which might contribute to such a situation.

This was told by the editor of the Pikeville newspaper there about a fellow in the coal mines. The coal mine closed down. As a result of the coal mine closing down, he could not find work. He had eight children. As he went up and down through that territory and asked for work, they asked him what he could do; he said "I can mine coal."

They said, "We do not have any job for coal miners. The mines are on a limited basis and they are closed down."

He went for 2 years looking for a job. He finally came home to his wife and eight children in the first part of December and left them a note in which he said, "I cannot find a job and I cannot stand to see you suffer any longer. If I am dead and gone, you will draw social security benefits which will make it possible for you to live better than you are now, so I am going to give you the best Christmas present I know how," and he took a shotgun and killed himself.

You see, I have gone through these things out in the field and I know what unemployment means to a nation if you do not look the facts coldly and starkly in the face. I do not want to see those conditions occur and I do not say I am going to. But I tell you they are real.

Mr. STITT. Senator Hartke, I was born and brought up in Pittsburgh, Pa., and I went through the 1930's.

Senator HARTKE. I am not talking about the 1930's. I am talking about 1959.

Mr. STITT. I am talking about a period of distressful unemployment and I know what it is when your neighbors do not have enough to eat. I saw times when I barely got enough myself.

But I am suggesting that a liberal international trade policy in the long run creates employment. It does not destroy employment. The soybean farmers of Indiana are employed producing soybeans they are selling to Japan.

Senator HARTKE. You and I are not so far apart on that when you stay on words. But when you come back to application, you get in trouble, because they have these quota systems in Japan on imports over there. They have these higher trade barriers to other countries.

I am not afraid of international trade in a free market. But we are not in a free market.

I am disappointed in the Trade Expansion Act results. I thought we were going to be in a free trade situation and not have an increased trade barrier put around those Common Market countries. But these are some of the problems that we are faced with at the present time.

I did not think we were going to take our American businessman and not provide for him an opportunity to work in a free, competitive market, but now we say to him, if you have an opportunity to go overseas and can be competitive in a foreign country, you cannot go because of the fact that we are going to have a voluntary restraint program.

Mr. STITT. Senator Hartke, for many years Japan had import quotas, yes, because of a desperate balance-of-payments situation. As a matter of fact, Japan has been in the process of destroying these quotas and now the trade into Japan is at least 92 percent liberalized.

Senator HARTKE. They are moving in that direction. I just returned from there in December, and I am not unaware what the situation is there. I talked to the Finance Minister.

I might point out to you that they do have a balance-of-payments problem. I understand that. I am not unsympathetic with them at all. The fact of the matter is I think they are mighty fine people, and I am interested in helping them to continue to progress in a fair means and on a fair basis.

But let me point out to you and show you that all minds do not run in the same channels. In their balance-of-payment problem, they are encouraging their capital to invest overseas. For what purpose? To capture the foreign markets so they can utilize their money and their brains in the foreign markets to help repatriate those dollars to bring them back to Japan to alleviate their balance-of-payments problem.

I said to the Finance Minister, "We are doing the exact opposite. One of us must be headed in the wrong direction."

He said, "I personally think you folks are hitting at the short-range effects and we are going for the long-range effects."

Mr. STITT. I might point out that Japan has just committed itself to 1 percent of its national income for aid to the underdeveloped countries.

Senator HARTKE. But not one soldier for Vietnam, I might add.

Mr. STITT. I know, sir, they are committed to peace.

Senator HARTKE. I know what their constitution says. I just wanted you to know.

Mr. STITT. Thank you.

Senator HARTKE. Mr. Meyer Bernstein, U.S. Steelworkers of America.

Mr. Stitt, before you leave, I do not think that this is a serious matter. There was a statement that you had that more steelworkers—I did not even mark it. It said something anyway to the effect that there are more people employed in the steel industry today than at any time in history.

Mr. STITT. In the last 5 years, sir. Over that period from 1961 to 1965, there are more people in that industry today than there were in 1961.

STATEMENT OF MEYER BERNSTEIN, UNITED STEELWORKERS OF AMERICA

Mr. BERNSTEIN. My name is Meyer Bernstein, I am international affairs director of the United Steelworkers of America.

The United Steelworkers of America welcomes the initiative of Senator Hartke in proposing a study of the rapid increase in steel imports and its effect upon the industry, its employees, and our economy as a whole.

The steel industry is a dynamic one and the pace of change is ever growing faster. This development is worldwide. As a consequence, we in the union are faced with new and difficult problems. We believe that decisions should be based on facts, and we hope that the investigation will provide the information upon which we can come to reasonable conclusions.

We are, however, somewhat perplexed by the method suggested for carrying out this study.

The Congress in its wisdom had foreseen the need from time to time for such investigations. The Trade Expansion Act of 1962 therefore provides a specific machinery to accomplish this result. This has been taken over from similar clauses in the earlier versions of our reciprocal trade program. Responsibility for such investigations has been and is an assignment of the U.S. Tariff Commission. The experience with it has generally been good.

In 1962, for example, the U.S. Senate Committee on Finance resolved that the Tariff Commission undertake an investigation on increased imports of iron ore. The study was a thorough one and the report was satisfying both to the industry and to the union; the same industry and the same union that are concerned in the proposed steel investigation. As a matter of fact, we would suppose that any study of steel imports would of necessity have to include a study if iron ore imports, since they are part of the same industry and are controlled by the same companies and organized by the same union.

The Commerce Department is of course quite capable of gathering statistics, but we wonder if that is all the committee is interested in. It seems to us that there ought to be testimony with searching questions. We ought to know the positions of the various interested parties, and we ought to have an opportunity to press for further details.

All of this would indicate that the best means of obtaining the objectives of the resolution is either through the U.S. Tariff Commission or through a special board, appointed by the President. Normally we would incline to the Tariff Commission approach. But their experience is limited to the field of duties and quotas.

We believe this investigation should explore the possibility of other solutions, including perhaps one patterned after the textile or commodity agreements, so perhaps a presidential board would be more appropriate.

In 1965 both steel and iron ore imports established new records. In the case of steel—10.4 million net tons, and in the case of iron ore—50.5 million net tons.

The increase—almost a doubling of the average during the past few years—was largely inspired by the uncertainty as to the outcome of the collective baragining negotiations which were protracted from before the beginning of the year until September. This, combined with the rise of prosperity, induced steel consumers to insure their source of supply by turning to imports. The result was not only a vast increase in steel shipped to the United States, but also a widening of the products purchased from abroad.

In the past, imports were largerly among the cheaper, easier to make products, such as barbed wire and concrete reinforcing bars. But now imports included the whole spectrum of steel manufacture. Particularly significant was the really formidable amounts of cold reduced sheet and strip for our automobile industry. These products had always been the pride of the American steel industry. Our techniques were far in advance of those of our foreign competition; and these products at one time were the mainstay of our exports. Now the flow was reversed.

During this period of negotiations there was a stimulus not only to imports but also to domestic production. Our own industry was under a strain. Leadtimes had lengthened and shortages had even appeared. During the first 9 months of last year domestic shipments reached a record high of 74,249,000 tons for 1962, and 62,671,000 tons for 1955, the best year up to 1964.

Immediately upon the conclusion of an agreement with the steel industry, domestic production began to drop at a precipitous rate, and tens of thousands of steelworkers were laid off. During the last 3 months of 1965 shipments totaled 18.5 million tons, which is at a rate of only 74 percent of the shipments during the first 9 months.

But imports continued at or near the same high level. The imports for the first 9 months totaled 7,880,000 tons and for the last 3 months they totaled 2.5 million tons, or 96 percent of the rate during the negotiations. It is possible that the continued high rate after the conclusion of an agreement represented nothing more than the fulfillment of orders which had been placed during the period of uncertainty. One evidence of this is that imports during the month of December were the lowest for the whole year. We cannot be sure of this, however, for during the same period there was a shipping strike in Japan.

It should be noted, however, that steel products are exported to the United States by foreign steel companies for sale to American consumers, while iron ore is imported to the United States by American steel companies for their own use.

In the former case both employer and employee feel the effect; in the latter case only the employee—that is the American iron ore miner—is hurt, while the employer reaps all the benefits of imports, including tax advantages on his mines abroad.

The import figures for both steel products and iron ore are staggering, all the more so because during the same period our own exports had fallen. In 1965 we exported 2,490,000 tons of steel products, and 8,200,000 tons of iron ore.

These figures are doubly significant because they represent a turnabout in our international trade patterns for the steel industry. We used to be a net steel, and during World War II we were a net iron ore exporter. Now we are a net importer of both. The reversal has been so great that the net difference in steel and iron ore alone is equal to this country's entire balance-of-payments deficit.

It is true, of course, that some steel imports generate exports of other merchandise. Nevertheless, the figures are so large that the net drain on the balance of payments was undoubtedly tremendous.

In 1965 steel mill products imports were 10,400,000 tons, valued at $443,800,000. Steel mill products exports were 2,490,000 tons, valued at $507,200,000, and iron ore exports, 8,200,000 tons, valued at $64 million. Net loss attributable to the steel industry, therefore, was roughly $1,050 million.

As a matter of fact, the net deficit was greater because almost half of the steel products exported last year were not real sales to foreign customers who paid in foreign currency, but rather foreign aid, paid for in dollars by the American Government.

Senator HARTKE. I think that is a very significant point and it should have been made earlier.

I want to thank you for bringing it to our attention.

Mr. BERNSTEIN. Thank you, sir.

Our balance-of-payments deficit last year amounted to $1.3 billion. Thus the excess of imports over exports of our steel industry alone is equal to the whole of the balance-of-payments deficit. This is all the more deplorable because in 1957 and earlier the reverse was true. Then international trade in steel helped strengthen our balance of payments.

The surge of imports, particularly during the long period of negotiations, is a serious matter. But we should not lose our sense of proportion. Again and again the public is offered estimates as to the number of jobs which have been lost to imports.

There is no doubt, were we immune to foreign competition in steel and could we retain all our other export markets—particularly those in the field of fabricated and manufactured products using steel—we would have more employment in our steel industry if imports could be shut off. Unfortunately, one industry cannot be so isolated. We must be careful that in trying to solve our steel import problem we do not create new difficulties for our exports generally, including indirect exports of steel.

It is easy for us to count the number of tons in steel products imported into the United States, and compare them with the number of tons of steel products exported.

It is not so easy to trace every ton of steel product made in an American steel mill and shipped to an American manufacturer, who then process this steel into a truck or an appliance, or a machine and then ships this finished product to a customer abroad.

These indirect exports of steel, according to the estimates of the American Iron and Steel Institute, have generally been greater than our direct exports of steel products; and combined, they have always been greater, except for last year, than our combined imports of steel.

Another point to be kept in mind is that as far as employment in the steel industry is concerned, the rate of national industrial activity is much more important than the balance of imports and exports. A prosperous year will increase employment of steelworkers far greater than a surge of imports will reduce such employment.

It should be remembered that 1965 was not only the year of highest steel products imports, it was also the year of highest American steel industry production. We achieved this record production with considerably fewer workers than we had in former years of lower production, but this is because of increased productivity.

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The steel expansion, which resumed early this year, brought with it recovery of some 22,000 of the 65,000 of the steel jobs which had been lost after the contract settlement. Unfortunately, the best steel year in history did not bring with it the best iron ore year also. The foreign invesments of the American steel industry, encouraged by our tax laws, have been too extensive for that.

Nevertheless, there is also a ray of hope here, for the American steel companies have made notable progress in developing iron ore in several widely separated areas in the United States. They have opened new mines in Missouri and Wyoming, and developed taconite in Minnesota; and they are increasing their use of pellets wherever possible. But older domestic mines are still being closed down in favor of foreign sources.

Let me parenthetically say here that we do not oppose our steel industry's having gone abroad for more iron ore. In order to permit full utilization of our domestic steel industry we must rely on foreign ores to supplement domestic ores, and we, therefore, oppose any tariff or quota on iron ore.

I may further add that Canada is our chief supplier and that the Canadian iron ore miners are all members of the United Steelworkers of America, and we are glad to have this double tie with them.

There is another aspect of steel and iron ore imports that should be a subject of proposed investigation. The figures show enormous imports, both of steel products and iron ore. The Trade Expansion Act of 1962 provides for readjustment allowances for workers who lose their jobs as a result of imports.

Figures have been cited claiming that tens of thousands of steelworkers and iron ore miners have lost their jobs to imports. Yet not a single steelworker or iron ore miner has received a single penny of readjustment allowance, nor for that matter has any worker in any other industry.

Obviously something is wrong.

We believe that the U.S. Tariff Commission has misread the readjustment allowance provisions of the Trade Expansion Act of 1962, and we urge the investigatory body to make recommendations on this matter.

Senator HARTKE. Let me say at this point, just so the record is clear, that I brought that matter to the attention, too, of the administration, and that in hearings here, Secretary of Labor Wirtz agreed that this part of the Trade Expansion Act needed amendment and change and agreed to the substance of the amendment which I proposed.

Mr. BERNSTEIN. I am glad to hear that, Senator.

Senator HARTKE. I want to point out that I think this change should be made at any early date, because I do think that either the adjustment assistance section should mean something, or otherwise, it should not be on the books. We should not hold out false hope to these people. Because really, as you have indicated, there obviously is something wrong.

I think what the Tariff Commission has done is place an interpretation on it that I did not think was the congressional intent.

I am not being critical of the Tariff Commission. Maybe that is the way the law was written, but it certainly was not intended to be written in that fashion.

I might point out there is an equally disturbing factor which was brought out when they incorporated it into certain provisions in the Canadian automobile trade agreement. This really was not a treaty, although it was one, but an action which again I think was very unfortunate and which I opposed.

I point out that the only people who have been able to receive assistance out of that agreement were about 200 people who were Ford workers in New Jersey.

Mr. BERNSTEIN. We have a petition pending.

Senator HARTKE. But let me say to you, sir, that the action in that case was the only one which I thought probably should have been denied, because it has been extended far beyond what I think was contemplated. This one has been contracted far beyond what was contemplated originally, too.

Maybe we can get them all straightened out, but this does present a problem and you are exactly right. The Secretary of Labor has indicated that they will support the amendments which I proposed.

Mr. BERNSTEIN. We understand that the administration is in favor of this.

Senator HARTKE. That is right.

Mr. BERNSTEIN. Another subject, which should be studied in depth, is that of dumping. We believe that the antidumping laws of the United States leave much to be desired.

We further believe that no law passed by us alone could or should meet the problem.

Dumping is an international evil and should, therefore, be handled on an international basis. We ought to invite our trade partners to consider the problem jointly with us, and for this we ought to use either the forum of the Organization for Economic Cooperation and Development (OECD) or the General Agreement on Tariffs and Trade (GATT).

Mr. BERNSTEIN. If we try to go it alone we will only invite retaliation, and then all of us will suffer. Yet, dumping has been a cause of some of the import surge. Last year was not a good one for the European or the Japanese steel industries. Of course, they define a good year somewhat differently from our usage. What they mean generally is that they did not expand as much last year as they had in the past, although some companies did show a slight decline.

To maintain production some foreign producers undoubtedly dumped steel in the United States. It is interesting to note the following statement made by Sir Richard Summers, chairman of John Summers & Sons, Ltd., a large British steel company, to its stockholders this year:

> * * * As I have already said, we have been able to keep the plant running somewhere near capacity by increasing our export business. The alternative to this would have been to curtail production to some extent. It is not particularly easy to take export business at ridiculously low prices or to curtail production. The latter is not a step which we should want to take without very serious consideration, but it is a possibility which we cannot entirely ignore. There seems no immediate prospect of an increase in export prices, for there is a worldwide excess capacity of steel—perhaps more particularly so in the flat rolled section of the industry than in any other. * * *

There are several other aspects of international trade in steel which should be the subject of public scrutiny. Some relate to the peculiar conditions of 1965 and other are secular in nature.

1. To what extent did American steel consumers, particularly the automobile industry make more or less long-term commitments in order to get preferred delivery from abroad?

2. To what extent are imports encouraged by pricing practices of integrated producers such as charging high prices for a semifinished product like wire rod in order to make it more difficult for nonintegrated small wire products manufacturers to compete in the finished products with the same integrated producers who make both?

3. To what extent were imports encouraged by domestic consumers having extensive operations abroad?

4. To what extent does the reluctance of the American steel industry to engage in meaningful competition with foreign steel companies, encourage imports, and discourage exports?

5. To what extent do our tax laws, particularly foreign subsidiary tax exemption, encourage production abroad over domestic production?

6. How does productivity operate in the American steel industry compared with those of its foreign competitors?

7. How do manning tables in the American steel industry, particularly of supervisory staff, compare with those of its foreign competitors?

8. How do our materials costs compare with those abroad?

9. How does automation and modernization in the American steel industry, particularly with respect to pelletization, computerization, continuous casting, and basic oxygen converter compare with those of our foreign competitors?

10. To what extent have restrictive trade practices abroad, such as that of the European Coal and Steel Community, and that of Great Britain, impaired steel exports from the United States?

11. To what extent are our exports affected by discriminatory seaborne freight rates?

Many, if not most of the answers to these questions are already available. But they are scattered and no one has yet compiled an authoritative synthesis.

The Economic Commission for Europe has recently concluded a study on competitive productivity. The Organization for Economic Cooperation Development, the Internatonal Labor Office, the European Coal and Steel Community, the International Metalworkers Federation, and others have produced reports which can be of value in the proposed study. We suggest that their resources be drawn upon.

In this connection, I might point out that the International Metalworkers Federation, a trade secretariat to which the United Steelworkers belong, has, since 1956, at our suggestion—in fact, we made the first one—carried out year by year a comparison, not of steel country with steel country, but individual steel company with individual steel companies throughout the world.

We took the 117 largest steel companies in the whole free world and compared them on all the factors on which we are able to get information, listing the production, the sales, net profits, the labor costs, labor costs as percentage of sales, the dividends, depreciation, taxes, and all other factors. We have this, then, in a comparative tabular form which we would like to make available to the committee.

We have a number of other materials which we think whatever body makes this investigation can draw upon. We think it is about time that the American people be given the full facts on the whole picture, not only with respect to imports, but with respect to all aspects of the American steel industry.

Senator HARTKE. Thank you, Mr. Bernstein. Thank you for a fine statement.

We will now recess until 2 o'clock tomorrow afternoon. At that time we will conclude the rest of these witnesses.

(Whereupon, at 6:15 p.m., the committee recessed, to reconvene at 2 p.m., Friday, June 3, 1966.)

STEEL IMPORTS

FRIDAY, JUNE 3, 1966

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 2:10 p.m., in room 2221, New Senate Office Building, Senator Vance Hartke presiding.

Present: Senator Hartke.

Also present: Tom Vail, chief counsel.

Senator HARTKE. The committee will come to order.

This is a continuation of the hearings on Senate Resolution 149 concerning a proposed study of imports of steel products.

I think that our session yesterday, which ran a little bit into the evening, was very productive. My personal observation is that although the study should probably be undertaken—and this may be self-serving in that respect—it is quite obvious that other people are interested in the study only if they can have it under their terms, which is all very well. I do not blame anyone wanting it under the most favorable circumstances. But I am interested in an objective study. If we do not have such a study I am not interested in it at all.

I want to point out again the one aspect which, up to date, none of the witnesses have testified on to a great extent. This is the fact that the United States is losing its proportionate share of the steel markets of the world, and that this is a rapid deterioration. One which has been almost continuous and accelerating since World War II.

The second point is there seems to be no apprehension of the cartelization or the actions of mergers which are occurring overseas. If continued along the line which they are, they are going to present a very serious problem for our domestic industry. Since they are outside the purview of our own national jurisdiction, I think they are going to probably point to a need for some international protests, and probably some negotiations and discussions as to what can be done in that field.

I am hopeful that those of you who have submitted statements and those testifying today, and those who are submitting statements on this matter of carterlization which, to my view has been definitely underplayed by all aspects, I hope that if you have anything which you think will be helpful, you will submit it to us in writing after we have closed the oral hearings.

For those of you who feel these may be just my personal views, I call to your attention that the London Financial Times does not think so in an article under date of March 24, 1966, where they pointed out the fact that West Germany proposes steel cartels and is intending to seek approval from the high authority of the European Coal and Steel Community. I will make that article a part of the record at this point.

(The article referred to follows:)

[From the London Times, May 24, 1966]

WEST GERMANY PROPOSES STEEL CARTELS

The persistent depression in the Continental steel market is forcing steel makers to cast around for ways to help themselves. A solution the west German companies have chosen will not commend itself to the larger business world. Cartels will appear again in Germany to regulate the sale of rolled steel if the companies have their way. Approval is to be sought from the High Authority of the European Coal and Steel Community. The German steel industry is now understood to be preparing agreements for the formation of "cooperative" organizations for the sale of rolled steel", to quote one German agency report. Already selling cartels of a sort exist among the German steelmakers to share our markets for some of the minor steel products. The High Authority reluctantly had to agree to them last year; and made it plain, when giving consent, that such arrangements should be of a strictly temporary nature to carry the industry over a bad patch.

But the more ambitious plans now being made to form cartels for rolled steel have an air of permanency about them which will distress both customers and competitors. Sales offices, it is proposed, should be set up for an initial period of five years. These offices would have responsibility for the total output of west German steel firms with the exception of special steels, tubes, and semi-finished products. There are plans also for a cartel for selling German rolled steel to third countries; a cartel with which all the west German steel companies would be associated. These arrangements are surely reaching beyond anything required to weather the low European steel prices which currently are being imposed by the simple market factor of too much steel-making capacity in the world.

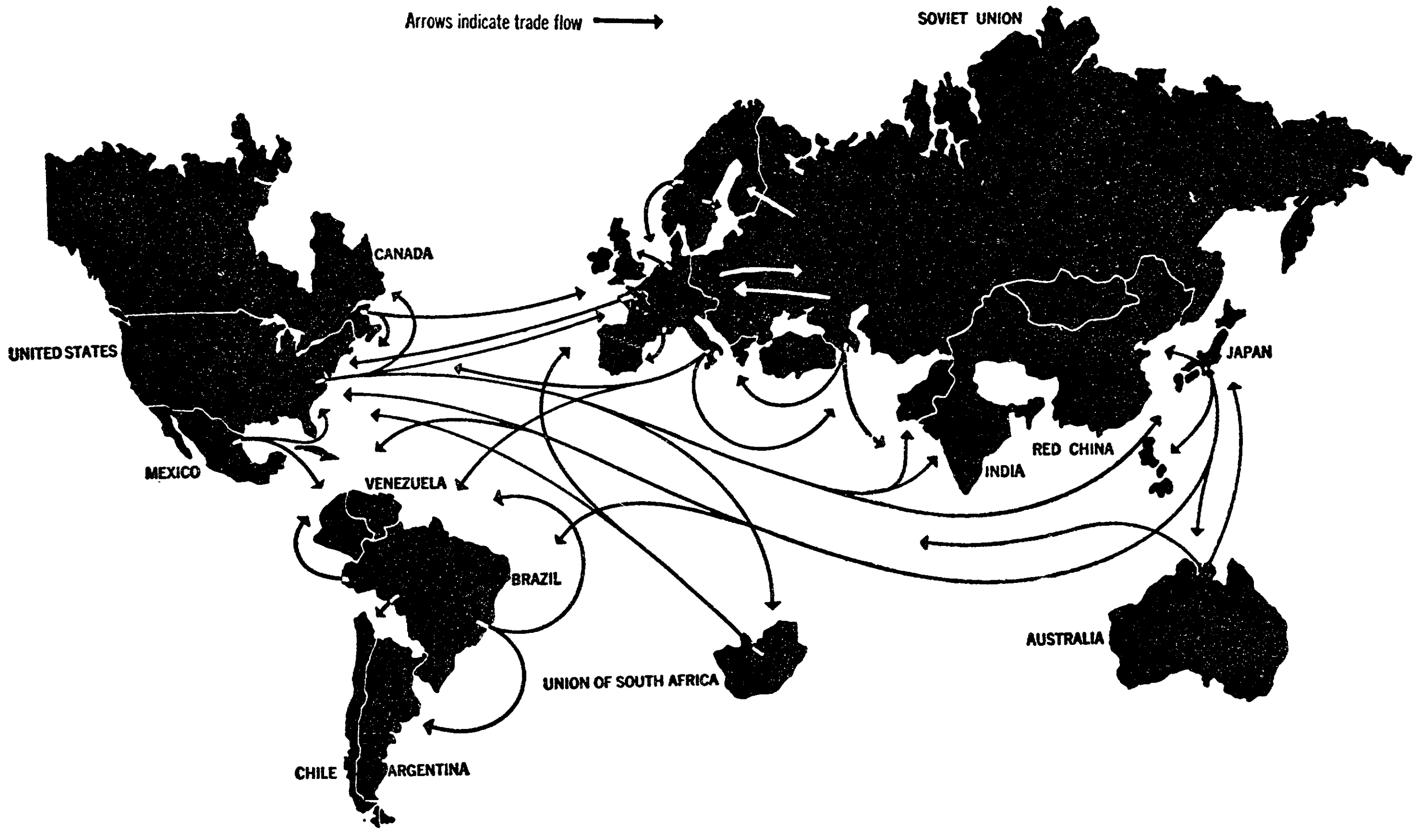
Senator HARTKE. I also want to include in the record at this time what I consider to be a very comprehensive and excellent study appearing in the current June 4 issue of Business Week, which is a special report, and this entire report will appear in the record. It is entitled "The World Battle for Steel," and many of the points which were developed yesterday are contained in this report, especially the deterioration aspect, and the fact that there is overproduction.

I was amused to see the quote from an Italian steel executive who says, "first, they get a flag, then an airline, and next a steel mill," in his reference to the underdeveloped countries of the world. I want to apologize to that Italian executive. I forgot the flag. I did comment upon the airline and the steel mill. It is a very good study. It points out some of the problems. It does point out the fact that the Japanese, who have a big portion now of the import market here, have been most frequently accused of price cutting and, as a result of the actions which are taken—and for those who are fearful of international repercussions arising from hearings of this sort, I might point out that sometimes maybe there are good things that happen, because if there is going to be something as a result of the overproduction in the United States, dumping in the United States, here is what the managing director of exports for Fuji Iron & Steel Co. said, according to the Business Week article:

> We are considering steps to regulate export prices. If we didn't take corrective action—and all the threats against Japanese steel did materialize—it would be a serious blow to our industry. Price competition in export markets simply doesn't pay off.

So this is an admission of their price-cutting activities.

(The article referred to follows:)


Arrows indicate trade flow
SOVIET UNION
CANADA
UNITED STATES
JAPAN
RED CHINA
INDIA
MEXICO
VENEZUELA
BRAZIL
AUSTRALIA
UNION OF SOUTH AFRICA
CHILE
ARGENTINA

[From the Business Week, June 4, 1966]

THE WORLD BATTLE FOR STEEL

GLOBAL SURGE OF CAPACITY FAR OUTSTRIPS DEMAND, SPURS MARKET RACE THAT'S CLOSE TO PRICE WAR—NATIONAL STANDINGS SHIFT: U.S. SHARE SLIDES, EUROPE IS HARD-PRESSED, JAPAN GAINS FAST—PRODUCERS SEEK CURES IN EXPANSION CURBS, TRADE TALKS, BUT GIRD FOR STILL FIERCER COMBAT

The top 25 non-Communist steelmakers

[Millions of tons]

	1955	*1965*
Africa: Union of South Africa	1.7	3.5
Asia:		
Japan	10.3	45.4
India	1.9	6.9
Australia	2.5	5.0
Latin America:		
Brazil	1.3	3.3
Mexico	.6	2.7
Argentina	.2	1.5
Venezuela	.1	.7
Chile	.3	.5
North America:		
United States	117.0	131.5
Canada	4.5	9.8
Western Europe:		
West Germany	23.5	40.6
Britain	22.0	30.0
France	13.9	21.6
Belgium-Luxembourg	10.0	15.2
Italy	5.9	13.9
Sweden	2.4	5.2
Spain	1.3	3.8
Austria	2.0	3.6
Netherlands	1.0	3.4
Norway	.2	.8
Turkey	.2	.7
Denmark	.3	.5
Switzerland	.2	.4
Finland	.2	.4

The Communist bloc's 10 steel producers

[Millions of tons]

Soviet Union	49.8	100.0
Red China	3.0	13.2
Poland	4.8	10.0
Czechoslovakia	4.9	9.5
East Germany	3.1	4.3
Rumania	0.8	3.8
Hungary	1.7	2.7
Yugoslavia	.9	1.9
North Korea	.1	1.2
Bulgaria	.1	.6

It would seem that the easiest thing to produce in the world today—and that includes Zambia and Malaysia—is a bar or billet of steel. Almost every country with a viable government and economic aspirations boasts a steel industry, of some sort. Says an Italian steel executive: "First they get a flag, then an airline, and next a steel mill."

Therein lies the root cause for the confusion, bordering on chaos, that afflicts the world steel industry today. It is plagued by overcapacity, caught up in a fierce export battle often waged by price-cutting tactics, squeezed by increasing costs, threatened by aluminum and other materials. In a competitive world, each country is reluctant to attack the malady of overcapacity by cutting back its own steel expansion.

For the U.S. industry, all this means a dwindling share of world output and trade in steel; it means a growing threat from imports that is worrying the industry and has prompted a Senate study.

Spread.—It used to be that steel was a status symbol of the advanced, industrialized nations. But riding on the wings of foreign aid, technical assistance agreements, and just plain goodwill, steel technology has spread to all continents. In 1947, 23 countries were producing 149 million tons annually; nearly 20 years later, in 1965, some 70 nations were steelmakers with an annual output of 501-million tons.

They have stepped up steel production because the new nations as well as the old are clamoring for the things that steel can build—for bridges to span their rivers, for automobiles and airplanes, for machines for their factories, for skyscrapers for their growing cities.

For example, some 80,000 tons of steel have gone into the big bridge across the Tagus River at Lisbon. The new Akosombo dam in Ghana used up 22,000 tons of steel, and a recently built alumina plant in Australia was a customer for some 54,000 tons.

But unhappily for steelmen, supply has outpaced the demand, and the two are now far out of balance. Between 70-million and 100-million tons of the expanded global capacity are available for steel products that could be made but for which there are no customers. This excess capacity—bigger, of course, in some countries than in others—would not matter much if steel were simply a problem of national markets. But world trading in steel last year amounted to a startling 64-million tons, more than three times the 1950 level of about 18-million tons.

Heat of battle.—As the competition to sell steel has stiffened, profitable export markets have dwindled or, in some cases, disappeared. For some traditional producers such as the U.S., Britain, and France, the many problems plaguing foreign markets have not been disastrous. The home markets in the more advanced countries are sufficient to soak up most domestic steel production. But the world battle among steelmakers has developed into something close to a price war, with lower export prices undermining domestic prices.

A British steel executive likes to tell how the battle for foreign markets can boomerang. A West German steelmaker, he says, sold a shipment of steel coils to an export broker in Antwerp at the world steel price—some 15% below the German domestic price at the time. "By some means," he says, "the steel found its way back to Germany to a Ruhr customer at the lower price."

Rather than fighting each other, steelmakers agree that they should be meeting more effectively the threat of competitive materials: aluminum, plastics, concrete. All of these, in varying degrees, have been penetrating steel's market stronghold. "We should be devoting our energies to fighting aluminum and plastics, and not one another," says a German steel executive.

Impact on U.S.—In the thick of this struggle for markets is the massive U.S. steel industry, which built capacity fast after World War II to fill demand in the world's largest and richest domestic market. Those happy years after the war when the industry had both the home market and many export markets to itself are long remembered—but also long past. For foreign steelmakers, in increasing numbers, have been tapping the U.S. market.

Since 1947 the U.S. has shifted from a net exporter, with an annual export surplus in steel mill products of 6-million tons, to a net importer. Last year, partly because of hedge buying for a possible steel strike, the U.S. imported 7.9-million tons more than the 2.5-million tons it exported. While the U.S. steel industry need not bow to anyone in size and prestige, the economic impact of the world evolution in steel is clear in only a few statistics:

U.S. output today is 26% of world output, compared to 57% in 1947. The drop is all the more surprising when you realize that last year's record production of 131-million tons was nearly equal to total world production in 1947.

The U.S. share of world trade in steel was less than 5% last year, compared to 16% in 1950.

Losers and gainers.—The U.S. industry is hardly alone in this picture of declining percentages. The European Coal & Steel Community ranks as the world's largest exporter—as a group—and yet its share of world exports (excluding intra-community trade) has slipped from 50% in the mid-1950s to about 33%. Britain also has seen a decline in steel trading.

The star performer in exports has proven to be Japan. Battered by war, the Japanese industry nevertheless has burst on the world scene again as the largest steel-product exporter of any country. Last year Japanese exports reached 10.9-million tons—a 43% gain over the previous year—accounting for 17% of world steel trade.

Price weapon.—In the battle for markets among national steel industries, the Japanese have been most frequently accused of price cutting.

Says the managing director of exports for Fuji Iron & Steel Co.: "We are considering steps to regulate export prices. If we didn't take corrective action—and all the threats against Japanese steel did materialize—it would be a serious blow to our industry. Price competition in export markets simply doesn't pay off."

Yet, as long as certain economic factors exist, price cutting is likely to continue. Many Latin American and Asian countries have built mills supposedly to satisfy domestic demand and save the foreign exchange costs of imports. But enamored of the prestige of having a big steel mill for its own sake, some countries have built capacity way beyond local needs.

National vs. international.—Thus, steel products from these smaller countries have begun to flow in world trade channels—often at "cut-rate" prices. The governments (which usually participate in the financing and operations of the steel mills) have quickly discovered that steel products can be a profitable earner of foreign exchange.

With this kind of competitive pressure spreading all over the world, one British steel executive laments: "The only people making any money in world steel trade today are the shipping lines." Though this is an exaggerated and overly gloomy interpretation, it does underline one significant change that has occurred since the war: Despite nationalistic motivations for building steel mills, the steel industry—wherever it exists—now has an international flavor.

For the first time since rebuilding its steel industry, Italy last year became a net exporter of steel, putting 1-million tons on the world market. The trend shows up, too, in the list of customers for a mill, built in 1965, that is run by Germany's largest steelmaker, August Thyssen-Huette AG. The Ruhr producer's order book recently included finishing cold-rolled steel coils for customers in Colombia, India, France, U.S., and Germany.

"If world steel usage is taking only 80% of capacity, you can't have countries running at 100% of capacity," says Norman B. Obbard, international executive vice-president of U.S. Steel Corp. "They may be sad about the export price they get, but apparently not sad enough to cut back production significantly and let demand catch up."

Moves to cut production and slow down investment in new facilities have been started both in the European Coal & Steel Community and in Japan, but so far these are just a beginning.

TECHNOLOGY SPURS THE RACE TO GROW

For most of the postwar period until the early 1960s, steel was a seller's market. And to keep pace with an unprecedented economic upswring, steelmakers everywhere were building and expanding.

Producers abroad, starting largely from scratch to replace bombed out plants, experimented with new processes. Basic oxygen steelmaking—which can turn out a heat of steel four to five times faster than an open hearth furnace—was developed in 1952 at Linz and Donawitz in Austria.

Continuous casting and vacuum degassing helped push the technological surge. In continuous casting, molten steel is cast directly into slabs, billets, or bars; by eliminating ingot molding, soaking pits, and primary rolling, the process cuts costs and improves yields. Vacuum degassing uses a vacuum vessel to draw gas impurities from molten steel.

U.S. part.—U.S. steelmakers were slower to adopt the new processes because of heavy investment in facilities they couldn't afford to scrap. Besides, the processes had to be scaled up to handle U.S. volume production. But in the 1960s U.S. industry leaped strongly into the race.

The U.S. industry, for its part, led in upgrading iron ore by concentrating it into pellets that made a more uniform and richer blast furnace feed. Now, foreign steelmakers are following this U.S. lead.

No corner.—This spurt of new facilities meant that no one established free world producer had a corner on technology, and gave the steel industry its international cast. Technical agreements between foreign and U.S. producers and moves by U.S. steel mill builders to cash in on a burgeoning foreign market have made the issue of foreign steel quality vs. U.S.-made steel almost academic.

Foreign producers are quick to emphasize this. In Italy, at the Finsider steel group's Novi Ligure cold-rolling operation, a guide points to a gigantic new Blaw-Knox four-stand cold-rolling mill and says: "You are in America now."

EUROPE FINDS GROWTH CAN BOOMERANG

The upheaval this rapid expansion has brought in world steel shows up strikingly in the European Coal & Steel Community and its halting efforts to cope with the impact of world overcapacity.

ECSC steel production has more than doubled from 46.2-million tons in 1952, when the community was formed, to 94.7-million last year—yet its share of world output remains at about 20%.

The capacity surplus first hit ECSC when community demand fell early in 1961; but though production dropped somewhat in the next two years, producers kept up the booming pace of capital investment. A harder blow came in 1963, when ECSC steel imports jumped almost a third, depressing internal prices and pushing down profits by 10% to 12%.

Remedies.—Acting through the ECSC High Authority, the six member governments raised tariffs on steel from outside ECSC to the 9% Italian level—supposedly a "temporary measure" but one likely to remain. This helped community producers hold off the flow of lower-priced foreign steel, but did little to halt sliding world steel prices.

As outside markets became less attractive, competition and price cutting spread within ECSC itself—markedly so last fall after world prices plummeted during a decline in the U.S. market following the steel labor settlement.

Yearend figures brought the community's capacity imbalance into sharp focus. Despite last year's record output, operating rate as a percent of capacity fell to 85.6% from the previous year's 90.1%.

This redoubled the pressure, begun in 1963, to hold down investment in new facilities. In 1963, producers invested $901-million in steelmaking equipment and rolling mills. The figure dropped to $772-million in 1964 and $624-million in 1965—and is projected at less than $500-million this year.

Merger medicine

The troubles of the community's steelmakers have brought a change in the ECSC attitude on mergers. When the community was formed, says an official, "the prospect was of a steel shortage and the treaty was tailored more for regulating a seller's market." Now, ECSC steelmakers, buffeted by falling prices and excess capacity, seek strength in union, and the High Authority's stand on mergers has softened.

Joint facilities.—The move to close ranks started with joint ventures for greater efficiency in production. An early example was the Sollac (Société Lorraine de Laminage Continu) facility in France, with steelmaking and finishing mills. Seven French steel producers pooled funds to erect it with Marshall Plan aid. France's No. 2 steelmaker, De Wendel, owns 50% and No. 3 owns 38%; No. 3 is the steel operation of Union Sidérurgique Lorraine (Sidelor) and Pont-à-Mousson.

Now Pont-à-Mousson and De Wendel are building a 1.6-million ton facility—Société des Aciéries de Lorraine (Sacilor)—for completion next year.

In Belgium, an integrated facility for flat-rolled products with initial capacity of 1.7-million ingot tons— Sidérurgie Maritime (Sidmar)—is coming on stream this year. It is owned by interests in Belgium, France, Italy, and Luxembourg.

These plants, started before pressure began to cut back on investment, will, of course, be of no help in curbing excess capacity. But, says a Sidelor official: "This is the pattern of future expansion. Individual companies in France are too small to build steel plants of the size needed to compete now. Technical mergers are the answer."

One High Authority study points out that about 70% of ECSC crude steel is made in works below the lowest optimum size—2-million to 3-million tons. No company controls more than 9% of community production.

Full-fledged.—Now, companies seeking to overcome the weaknesses of small size are moving from joint ventures to full-fledged merger.

The merger wave (see p. 257) really got going two years ago when the German producers August Thyssen-Huette AG and Phoenix-Rheinrohr united under the Thyssen name to form Western Europe's biggest steel company. Now the wave is spreading to Luxembourg and France and will cross national boundaries if a proposed merger of two German producers with Holland's largest steelmaker, Hoogovens en Staalfabrieken, is approved.

A German steel official sums up the aim of all these moves: "With fewer, bigger companies, we think European steel can come closer to the secret of production and price stability that exists in the U.S."

The High Authority takes a cautious position on mergers. Because of the maze of interlocking relationships carrying over from prewar cartels, it insists that any links between merging companies and other companies must be severed. "The aim is to increase technical efficiency," says an Authority spokesman, "not to increase political or economic power of any single group."

Battle against odds

Such concentrations provide a basis for long-term optimism. But the battle of community steelmen to stay competitive in the meantime is producing mixed results.

Many criticize the High Authority as ineffectual. The spokesman of a Luxembourg steel trade association says experience proves the Authority cannot apply the treaty to a situation of overcapacity and falling demand. Dr. Walter Cordes, vice-president of August Thyssen-Huette, says: "The High Authority price list doesn't exist in reality. Actual prices are as much as 15% lower."

Despite the Authority's admonitions to trim production, total ECSC crude steel production in the first four months of 1966 was less than 1% below the same period of 1965. Germany and Luxembourg reduced, but France, Belgium, the Netherlands, and especially Italy increased.

Both the Netherlands and Italy have built modern coastal plants, and have boosted their share of total community output since 1952. Last year, new capacity sent output soaring over 1964—in the Netherlands by 17.3% and in Italy by 29%.

Grievances.—Producers who cut back gripe because others don't follow. German steelmakers also complain that wage costs have jumped 35% since 1960 while the average price per ton of steel dropped $12. The Germans complain, too, of imports, which now account for 25% of German shipments, and are bitter over their disadvantage on coal.

Ironically, it was the vast Ruhr coal deposits that gave German steelmakers their traditional strong position. But now Italy, Belgium, the Netherlands, and to some extent France are using lower-cost U.S. coal for blast furnace coking fuel, while the Germans are required by their government to use the higher-cost Ruhr coal.

The Germans haven't got far with efforts to have ECSC set a common price for coal in the community. One way out is the road taken by two German steelmakers in the proposed merger with Hoogovens in the Netherlands: Hoogovens, using low-cost foreign coal, would make most of the crude steel and the Germans would finish it in the Ruhr.

Burdens.—One obstacle to cutbacks in production is the full employment policy pursued by community governments. Another is the huge debt incurred for new plants. "You have to repay those loans whether your mill is running or not," says a French steelman; "if we had to run at 70% of capacity we'd be dead."

U.S. STEELMAKERS GET IN ON THE EDGES

Facing this involved situation within the ECSC, U.S. steelmakers have gone slowly in entering the fray on the Continent. Traditionally, participation has been through export activity—though this has declined. In actual European operations, U.S. companies have stuck pretty much to the fabricating side, and to specialty steels.

Armco Steel Corp., heavily involved in fabricating, follows its worldwide tactic by teaming up with European partners. Vice-President J. W. Holton, managing director of its International Div., says: "We use our manufacturing techniques and marketing knowhow but we get the steel in the area where we're located." Products are primarily proprietary items—culverts, guard rails—developed in domestic operations.

Though the current market is soft, Holton is optimistic for the long run. International Div. sales last year, he says, were almost three times as great as for 1946 through 1948 combined. He sees steel consumption in Europe climbing: "The bicycle racks outside plants have been replaced, first by motor scooter racks and now by parking lots for small cars."

Disastrous.—Despite hot competition from Swedish and Austrian producers, specialty steels have lured several U.S. producers to Europe. U.S. Steel has a 50% interest, along with Finsider, in a stainless operation near Rome. Crucible Steel Co. of America owns 95% of a stainless facility near Milan. Allegheny Ludlum Steel Corp., through Allegheny Ludlum International S.A., has a joint venture with d'Espérance Longdoz in Belgium—Allegheny-Longdoz S. A.—for stainless output.

But competition in stainless has been more disastrous than in basic steel, and prices have tumbled 25% since 1960. "Profit margins are gone," says Michel Delheid, commercial director of Allegheny-Longdoz. An official of a U.S. company adds: "If any one of us is making any money on our stainless operations in Europe, he must be pulling rabbits out of a hat."

Other ventures.—U.S. Steel has two other joint ventures with Finsider in Italy; these are in steel fabricating. Outside the ECSC, U.S. Steel has gone into basic production through a 25% interest in Spain's largest steel company, Altos Hornos de Vizcaya. The company's present 1-million ingot ton capacity will be doubled in four years.

Pittsburgh Steel Co. took its first overseas manufacturing step by teaming with Armco in a cold-rolled specialty carbon strip operation that went on stream in Belgium this year. Targets include automotive markets, electronics, electrical machinery, and appliances.

A speciality steel area within basic steel production was the only door to Europe, says Pittsburgh's President Allison R. Maxwell, Jr. "Although there is a glut in basic steel capacity in the ECSC," he says, "there isn't one in specialty strip products."

A specialty product also provides Copperweld Steel Co. an entry into Japan. If the Internal Revenue Service gives the nod, Copperweld plans a joint venture with Fujikura Cable Works, Ltd., to produce a steel and aluminum electrical cable. Copperweld will own 45%.

JAPAN PILES UP IMPRESSIVE GAINS

The concern of U.S. steelmen with Japan, however, has been less in seeking joint ventures than in stemming the flood tide of steel imports coming into the U.S. from that country,. In 1965, imports of Japanese steel jumped a gigantic 60% over the previous year to reach a total of 4.7-million tons.

This transpacific steel flow is only one phase of the almost incredible growth of Japan's steel industry. With steel production zooming from 10-million tons in 1955 to 45.4-million tons last year, Japan now ranks third in world production after the U.S. and the U.S.S.R. Steel is the country's biggest single export item; exports climbed from 2.3-million tons in 1955 to last year's 10.9-million.

As with Europe's less spectacular growth, this has brought multiplying problems—defensive moves by Japan's export markets, failure of domestic demand to keep pace with capacity, demands of labor for higher wages. The Japanese industry is seeking to cope with these difficulties through hold-downs on production and expansion.

Cutting back.—Primarily to adjust to the slump in domestic demand, a 10% curtailment in crude steel production has been in effect since last July. Earlier production control systems—called cartels—had been set up by the government and leading producers for such products as heavy and medium plates, bearings, ferroalloys, and stainless steel plates. These were extended to June 30.

Japan's Fair Trade Commission hints it won't permit further extensions. But if markets remain depressed, pressure from the Ministry of International Trade & Industry (MITI) may change this.

Orderly marketing.—Howls from U.S. steelmen over inroads of Japanese steel, meanwhile, brought separate visits to the U.S. by Yoshihiro Inayama, president of Yawata Iron & Steel and the Japan Iron & Steel Federation, and Yasujiro Yasuda, managing director of Nippon Kokan K. K.

The result was an emergency huddle of the presidents of Japan's biggest steel companies to set up a "more orderly export framework." The producers agreed to tighten controls on trading companies—blamed for cutthroat price competition in the U.S. market. Now producers will designate a specific trading house for products sold in each of three U.S. marketing districts—West Coast, Gulf Coast, and East Coast.

Investment curbs.—Both the industry and the Japanese government are taking a hand to hold down investment in new facilities. Last year the government permitted construction of only three new blast furnaces instead of the scheduled five, and cut back new oxygen furnaces from seven to six.

The six biggest companies agreed last year on a moratorium on new rolling facilities until at least April, 1967; but there is suspicion that some are abusing scrap-and-build provisions by building more than they scrap. A newly formed adjustment council of steelmakers goes a step further by providing that equipment completed after July, 1965, is to be operated at only 33% of capacity until March, 1967.

MITI, too, is taking a closer look at new investment. Last year, though capital investment in steel was targeted at $640-million, MITI cut it to an estimated $410-million. But upward pressure is strong. This fiscal year, investment by the Big Six steelmakers will rise to almost $460-million. Only second-ranked Fuji Iron & Steel is cutting back, and Fuji is getting restive; President Shigeo Nagano says "Fuji cannot sit idly by" if other steelmakers go ahead with expansion.

Whether all these moves will change Japan's production and trading climate remains to be seen. European and U.S. steelmen are less than sanguine about any significant shift in its long-range strategy.

Gains.—Japan's gargantuan steel buildup of the past 15 years has given it some advantages along with its problems. The country has some of the world's largest blast furnaces, modern oxygen converters, and finishing facilities. Last year almost two-thirds of production was by the oxygen process. Since Japan has to import more than 80% of its iron ore and about 60% of its coking coal, steelmakers have concentrated on improving blast furnace efficiency. Japan's coke consumption ratio is lowest in the world.

These gains are not unnoticed. National Steel Corp., for example, signed a technical agreement this spring with Nippon Kokan K.K. to exchange National's rolling mill techniques for blast furnace methods.

Armed with technology, Japan is increasingly getting a foothold abroad—in Southeast Asia, Africa, and Latin America—with processing ventures that create markets for Japanese steel. Japanese companies are working on galvanizing units, for example, in Ethiopia, Nigeria, Thailand, Taiwan, Malaysia, Singapore, Nicaragua, and Venezuela.

Kobe Steel and Mitsui & Co. teamed up last year with Hercules Steel Ltd. in Canada to produce secondary wire products using steel from Japan, Mitsui and Yawata have joined with Malaysian interests to build Malasia's first integrated steel works.

BRITAIN: THE SHADOW OF NATIONALIZATION

In contrast to Japan's and the ECSC's struggles with overcapacity, Britain's main problem with steel is political rather than economic. As E. T. Judge, president of the British Iron & Steel Federation, describes it, the industry has been "plagued with the political atmosphere of nationalization and denationalization ad infinitum."

With Labor's election victory this spring, the question of nationalization seems to be foreclosed. Though Prime Minister Harold Wilson might be willing to drop the pledge, he will probably have to take the step as a concession to the party's left wing. This will put Britain's 14 largest steel companies, accounting for more than 90% of output, under a state-controlled "National Steel Corporation."

Still, though the Damoclean sword of nationalization has hung over the industry since Labor regained power in 1964, last year's production hit a record 30-million tons, 5% over the year before. This year, however, a drop to 27-million tons is indicated. Exports last year totaled 4.4-million tons. Imports fell because of import surcharges imposed to help save the pound.

Price hassle.—Domestic prices, regulated by the Iron & Steel Board, are in a muddle. Since it was set up in 1953, the board has fixed "maximum" prices and steelmakers have used the schedule as a minimum price list. This spring, under industry pressure, the board allowed a 4% increase—and the unexpected happened.

Instead of going along, John Summers & Sons, Ltd., a big steel plate maker, announced it would charge a basic price plus freight, so that only users several hundred miles from its mill would pay the Iron & Steel Board price. This follows ECSC "basing point" pricing rather than the British system of lumping freight costs into the price. In effect, it amounts to price cutting.

Tighter control.—For all the gripping, many in the industry are calling for more, not less control. Whether nationalization comes or not, says an Iron & Steel Federation official, there will have to be more government direction—to modernize facilities and curb expansion. W. L. Cave, sales director of Richard Thomas & Baldwins, Ltd., the only producer still in government hands from the earlier nationalization, adds: "Steel is so important in any economy, it can't just be left free."

NEW COMPETITORS CROWD THE WINGS

Certainly, government plays a big part in the steel buildup of many of the smaller nations that are edging into the world market.

In South Africa, the government-sponsored Iron & Steel Corp. (ISCOR) is halfway through a $784-million expansion that will boost capacity to 5-million tons by 1969 (production last year was 3.5-million tons). South African officials contend that booming domestic consumption leaves little steel for export, but enough has reached the world market for European and U.S. steelmen to glimpse a new competitor.

Australia, an important ore source, now is pushing steel production, with output at 5-million tons last year compared to 2.5-million in 1955. The country's only steelmaker, Broken Hill Proprietary Co., Ltd., has embarked on an ambitious expansion program, and says "export outlets are being vigorously pursued."

In the Americas.—Brazil, a significant exporter of iron ore and manganese, is also busily expanding its steel industry, with production this year forecast at close to 4.5-million tons—about three times the 1956 figure. Imports, now accounting for only about 10% of steel consumption, will decrease if huge expansion plans go through.

Mexico, Latin America's second largest producer with output of 2.7-million tons last year, plans to boost its capacity to 4.9-million tons by 1970. Mexican steelmakers are going outside the country, too, with plans to help finance mills in Honduras and Guatemala.

Canada projects an output of 14-million tons by 1970, compared with 9.8-million tons in 1965; but capital spending over the next 18 months may be held down by provisions of the new budget. Exports stood at 1.3-million tons last year; the plans call for a boost to 2.2-million tons by 1970.

Red glow in the East

So far, the Communist bloc has had a minor role in world steel trade, though production has been growing. Soviet output of 100-million tons last year, for example, was double that of 10 years ago (total 1965 Communist bloc production was 147-million tons). But internal demand is high, and the Red countries have problems producing all the types and qualities the world market demands.

Until the April party congress in Moscow, Kremlin planners aimed at a slowdown in steel for the next five years to get the industry on a more modern track. But the congress appeared to signal a shift to a faster rate of steel expansion—with a blast at Nikita Khrushchev for "counterposing the chemical industry to the iron and steel industry."

Trade and aid.—East Germany and Rumania together take half of Russia's 7-million export tonnage; Finland is the only non-Communist country taking a significant amount. Steel trade of the Soviet bloc as a whole is about even—latest figures show imports in 1963 of 8.3-million tons, exports of 8.1-million.

The U.S.S.R. has been more active in foreign aid. It built the 2.4-million-ton Bhilai mill in India, plans another of 5-million tons.

The Soviet-Chinese split has opened the door to Red China for the West; the Chinese plan to build a $150-million steel finishing mill with the aid of a West European consortium points this up. Last year Red China ordered an oxygen-process unit from Austria's United Iron & Steel Works (VOEST). Peking is mum nowadays on its own steel output, but estimates put capacity at 10-million to 13-million tons a year.

GEARING FOR HOTTEST STEEL RACE EVER

If the Communist countries offer some opportunity to makers of Western capital equipment, they provide little hope of a steel market big enough to relieve the overcapacity that plagues the free world industry. Japan has had some success in boosting its steel exports to both Red China and the Soviet Union; but last year it sent only 222,000 tons to the U.S.S.R., 353,000 to the China mainland.

Surveying the chaotic world scene, steelmakers say the most encouraging thing is that producers on a global scale have finally admitted there is a problem. But there is little agreement on remedies.

Europe and U.S.—Many European steelmakers, with their propensity to sit down and talk about a problem, are calling for an international conference on steel to deal with price cutting and overcapacity—though they are vague on how it would be set up. A French trade association official even urges "coordination of investment on a world basis."

Some U.S. steelmen see hope in the negotiations on steel now going on under the General Agreement on Tariffs & Trade, which deal with tariff and non-tariff barriers. "Removing non-tariff barriers like import licensing, quotas, equalization taxes, transaction taxes, and foreign controls would at least put nations on a more equal competition basis," says one U.S. executive.

The U.S. industry toned down its push this spring for a government probe on steel imports. Industry leaders felt a public hearing on imports during a time domestic producers were pressed to fill demand wouldn't be timely. But the concern over inroads of foreign steel is strong enough that a study on the economic impact of steel imports backed by Senator Vance Hartke (D-Ind.) is getting substantial industry support.

This country, says U.S. Steel Chairman Roger M. Blough, offers the most wide-open entry to imports of any steel-producing nation. Blough seeks to "bring greater equity into the rules governing international trade." Supporting this view, Vice-President R. M. Buddington of Inland Steel Co. told the American Iron & Steel Institute at its meeting in New York that "governmental practices concerning exports and imports should be carefully studied and action should be taken promptly by our government to remove the inequities."

U.S. industry officials also feel that foreign steelmakers, instead of just pouring out steel to compete, will have to concentrate on improving finishing and processing facilities. The U.S. industry itself has taken this tack by investing record amounts in new facilities geared to meet tighter quality specifications. U.S. Steel Corp. is pouring $500-million into new facilities this year, aiming, says Blough, "to set the pace in the greatest competitive race the steel industry has yet seen."

Bright spot.—The brightest spot in the picture is increasing consumption of steel on a global basis. Steel experts figure on about a 5% annual increase from now to 1970, bringing annual consumption to some 640-million tons. That compares with 1965 world output of 501-million tons.

But with new production facilities sprouting all over the map, world steel producers know today's fierce competition for markets will become still more intense. Their job is obvious—to make that competition more rational.

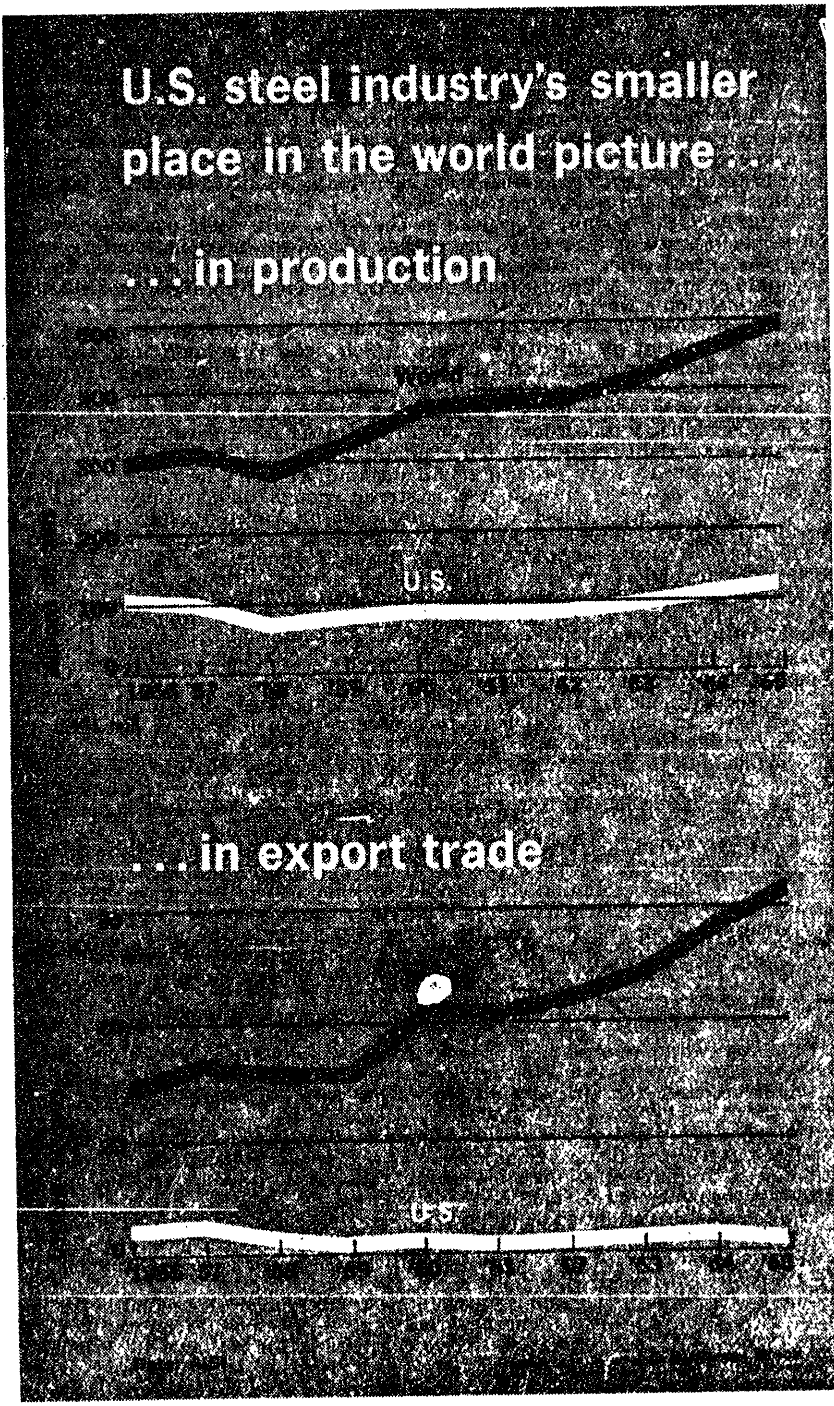
ITALY BOOSTS STEEL OUTPUT WITH MODERN PLANT IN SOUTH

Climbing output of steel in Italy—up 29% last year over 1964—is spurred by the government-controlled Finsider group and its steelmaking unit, Italsider. Finsider accounts for virtually all Italy's pig iron and more than half of its steel output.

To make up for lack of ore and coal deposits, Finsider has put its facilities on the coast for access to foreign sources. Four integrated facilities now dot the Italian coastline. Biggest and most recent is the Taranto steel works in southern Italy—in the instep of the boot.

Equipped with the latest in blast furnace equipment, Taranto ranks as the most modern facility in Europe, possibly in the world. It can produce annually 2.6-million tons of pig iron, 2.9-million tons of steel and can be expanded to a steel capacity of over 6-million tons.

Jewel.—Taranto is an example of the international flavor of steel mill construction. U.S., French, German, and Austrian engineers helped design and build it. It has technical agreements with Armco Steel Corp. for rolling mill assistance, and with Yawata Iron & Steel Co. on blast furnace operation and oxygen techniques.


U.S. steel industry's smaller place in the world picture . . .
. . . in production
World
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. . . in export trade
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Despite startup problems, Finsider officials call Taranto "our jewel." Main obstacle to a smoother break-in, says a U.S. technician there, is that "the operations people are ahead of the maintenance people." Southern Italian laborers, though they come mainly from farms, have adapted well to steelmaking, according to Taranto's manager.

Market push.—Obviously, Taranto has grabbed a share of the Italian steel market that other European Coal & Steel Community producers had been tapping. Finsider's Novi Ligure cold-rolling facility north of Genoa, for example, formerly imported almost half of the hot-rolled coils for its mill. Now Taranto furnishes that half.

"The traditional producers looked to Italy as a place for putting their excess production," says Finsider official Tomaso Liberati, but they have had ample warning that Finsider intended to build a steel industry in Italy. He defends Italy's rising production rate by saying: "If we reduced our rate, it would mean not bringing to full operation our new facilities."

Liberati and others say that Italy's growing domestic market justifies the expansion. But if lower costs give Italian steel a price edge within the ECSC, they say, it would be foolhardy not to sell.

Says Liberati: "When your market is attacked, if you have the capability, you react in kind. I don't say this is correct, but it is the fact."

IN EUROPE, STEEL MERGERS ARE THE STYLE

Steelmakers in Germany, which accounted for 43% of the European Coal & Steel Community's steel output last year, led the way in merger moves aimed at giving the ECSC industry a stronger position in the world steel battle.

The community got its biggest steel company to date when August Thyssen-Huette AG and Phoenix-Rheinrohr joined forces two years ago under the Thyssen name. The merged company had a 1965 output of 9.5-million tons.

Then Luxembourg's steel production was virtually lumped in one unit when the ECSC High Authority authorized the merger of Arbed and Hadir. Joint annual production: 5.5-million tons.

French moves.—In France, two combinations of top steel producers are in the works but have not yet gone through. The No. 2 steelmaker, De Wendel, and No. 3, Sidelor—already linked in joint ventures in production—are working on one merger; and Usinor, the No. 1 producer, is seeking to merge with fifth-ranking Lorrain-Escaut. The De Wendel-Sidelor combine would have a 5.6-million-ton output, but the Usinor-Lorrain-Escaut union would have 6-million.

The aim, says a Usinor official, is "a broader product line made on modern equipment with lower costs."

Biggest?—What could be the biggest merger yet involves two German steel groups—Hoesch AG and Dortmund-Hoerder Huettenunion AG—who want to join with Holland's largest steelmaker, Hoogovens en Staalfabrieken. If the High Authority approves, the combine would have an output of 8.4-million tons—and if Hoogovens ups its production by 1.3-million tons by 1970 as planned, the union could be ECSC's biggest.

One byproduct: Hoogovens would take over most of the crude steel production, using low-cost foreign coal instead of high-cost Ruhr coal, which German mills are required to use. The Germans would finish the product in the Ruhr, close to German consumers.

Senator HARTKE. And finally, I quote an article appearing in today's Journal of Commerce under the heading, "To Avoid Criticism, Japan Steel Industry Regulating Export Flow."

In here a Japanese steel official says "that the industry had set a modest target for overall exports in the current fiscal year with the idea of preventing undesirable competition among makers and avoiding adverse criticism from abroad."

But the main point I want to bring out is that Japanese steel makers have agreed among themselves to ship to the United States in the current fiscal quarter (April–June) an amount equal to the level recorded for the entire 6-month period of January–June, 1965.

I think we should put the entire article in the record as an example of how these cartels conspire to eliminate competition and to divide up the American market.

(The article follows:)

[From the Journal of Commerce, June 3, 1966]

TO AVOID CRITICISMS—JAPAN STEEL INDUSTRY REGULATING EXPORT FLOW

TOKYO, June 2.—The Japanese steel industry's chief aim and concern this year is to insure that exports of steel, particularly to the United States, which is Japan's largest market, moves in an orderly fashion.

An official of Sumitomo Metal Industries, Ltd., in an interview with The Journal of Commerce made this point in noting that 44 percent of Japan's total steel exports in the fiscal year ended March 31, went to the United States.

EXPORT TARGET

The export target for Japanese iron and steel goods in fiscal 1966, ending March 1967, has been placed at 10,000,730 tons, valued at $1,340,156,000 on a customs clearance basis (f.o.b.), by the steel industry. It is the first time that the industry is gunning for an export goal higher than 10,000,000 tons.

The Sumitomo official went on to say that the industry had set a modest target for over-all exports in the current fiscal year with the idea of preventing undesirable competition among makers and avoiding adverse criticism from abroad.

The goal calls for about the same quantity as was exported in fiscal 1965.

The official said that since April, the steel industry has been carrying out an orderly export system on the basis of a decision to ship 55 percent of its over-all export goal in the first half and 45 percent in the latter half to avoid any rush shipments.

As to the U.S., steel makers have agreed to ship in the current first quarter (April-June) an amount equal to the level recorded in January-June, 1965.

TO REGULATE FLOW

They are currently discussing further a detailed export program which will regulate not only quantity but also item by marketing area, the official said.

Reviewing Japan's iron and steel exports, the official said they amounted to 9,915,218 tons, valued at $1,329,772,000 in fiscal 1965, recording an increase of 30 and 35 percent, respectively, over the previous fiscal year.

The industry's sales abroad maintained a high level throughout 1965, with shipments of ordinary steel amounting 600,000-700,000 tons monthly, although a dip was seen in the Fall after a strike planned by U.S. steel workers was called off.

At that time, Japanese steelmen, the official said, considered that decline of U.S. demand would be carried over until this March. But U.S. demand for steel products has remained strong due to prosperity in its automobile and rolling stock industries and also to the Viet Nam war.

The official went on to say that the Japanese industry's international competitive power is high owing to its use of the most modernized equipment in the world, its rationalization of production processes, its high productivity and relatively cheaper labor costs.

He noted that taking 1960 as a basic year Japan's steel exports in 1965 rose by four times, whereas the average expansion of major steel-making countries was only 1.4-fold.

Also, Japan's share in steel trade in 1965 among eight major steel exporting nations was 21 percent, the same as that of West Germany and Belgium, followed by France with 15 percent, Great Britain 8.4 percent and the United States 5.1 percent.

Senator HARTKE. The first witness this afternoon will be Mr. John P. Roche from the American Iron and Steel Institute.

STATEMENT OF JOHN P. ROCHE, PRESIDENT, AMERICAN IRON AND STEEL INSTITUTE; ACCOMPANIED BY LEO TEPLOW, VICE PRESIDENT; JOHN McATEE, COUNSEL; AND K. C. ALLEN, ASSISTANT VICE PRESIDENT

Mr. ROCHE. Senator, my name is John P. Roche. I am president of the American Iron and Steel Institute, a nonprofit trade association consisting of 70 domestic steel companies representing about 95 percent of the total domestic steel production.

Appearing with me today are Mr. Leo Teplow, on my right, vice president of the institute; Mr. John McAtee, on my far left, counsel; and Mr. K. C. Allen, assistant vice president of the institute.

My oral statement today, Senator, is not as detailed as the paper which I have filed for the record.

First, I want to commend you, Senator, for your initiative in taking and introducing Senate Resolution 149, and I want to reaffirm the need for such a study of the steel imports, and urge its completion at an early date.

Senator HARTKE. Let me say just for the sake of the record that you were not completely enthusiastic about my calling the hearings at this time though, were you?

Mr. ROCHE. No. I will admit that, certainly, as of 3 months ago, this was true. I think, however, there are circumstances that you have pointed out which make the hearing at this time much more opportune than would have been true 3 or 4 months ago.

Senator HARTKE. I do not know. All these accusations from yesterday, especially from one individual who ought to reconsider his position, I think, quite at length. I do not know who he makes his accusations for and who is spending all the money, but maybe we ought to have a second look. I want you to know that ordinarily I would not have taken a second look at this organization, but now I plan to. He made a nice appearance yesterday, and so I am going to take an in-depth look and make an in-depth study of his organization. I had not paid much attention to it up to now, but I think when people protest as vehemently as he did yesterday, make such wild accusations, and accuse the drafter of this resolution of an outright lie, without taking the trouble to check it with the author and finding out the truth, maybe we ought to find out. Maybe he has something to hide which we should find out. I will be looking with great interest at the results.

Mr. ROCHE. Senator, a quotation identified with you in the American Metal Market of May 27 of this year, I think, bears repeating here at the start of my statement, and I quote:

> A strong probability exists that increasing quantities of foreign steel will be dumped in the United States at depressed prices which can only pose a serious problem to the continued level of domestic production.

Before discussing the steel import problem in depth, I would like to urge that the proposed study be made by a congressional committee or subcommittee in order that it may be put in motion immediately and concluded promptly, with whatever assistance may be desired from other Government agencies. Study by a congressional committee would seem to be particularly appropriate since the solution obviously lies within the jurisdiction of Congress.

I want to take a few minutes to discuss the import volume. Imports of steel mill products into the United States in 1965 totaled aproximately 10,383,000 tons, representing 10.3 percent of total market. Just 4 years before, in 1961, imports were 3,163,000 tons. This compares with the 1955–57 period when such imports averaged only 1,200,000 tons annually, or about 1.5 percent of market. The significance of the 1965 import volume can be gaged from the fact that it was equivalent to the combined output in 1966 of Jones & Laughlin Steel Corp. and of Armco Steel Corp., the fifth and sixth largest American steel producers which directly employ 79,000 workers.

In spite of the winter closing of St. Lawrence-Great Lakes seaports in January, February, and March of this year, imports of steel mill products, including also the month of April, were at an annual rate of over 8 million tons. It can be anticipated that, with the St. Lawrence Seaway now open, the rate of imports for the remainder of the year will increase even beyond this substantial tonnage.

BALANCE OF PAYMENTS

The deficit in steel trade is a major contributing factor to the U.S. balance-of-payments deficit. In 1965, the value of steel imports exceeded the value of steel exports by $670 million. To this net import figure must be added an additional dollar outflow for freight, since much of the imported steel arrives in foreign-flag ships; and, in addition, the value of the exports should be reduced by the value of steel sold under AID financing, because these exports make no net contribution to the balance of payments on current account. When these factors are taken into consideration, the deficit in the steel balance of trade last year approached $1 billion—as compared with the total U.S. 1965 balance-of-payments deficit which is estimated at $1.3 billion. The detailed figures are shown in appendix A attached to my filed statement.

The Chairman of the President's Council of Economic Advisers, Gardner Ackley, put the problem in historical context January 3, 1966, by saying, and I quote him:

> Over-all steel imports in the first 11 months of 1965 were up to 9.7 million tons, worth $1,096 million. The value of steel exports was down to $460 million, producing an 11-month steel deficit of $636 million, perhaps $700 million for the full year. In 1955–57 we had an average steel export surplus of $645 million. Thus the deterioration of our balance of payments due to steel over the last decade is $1.3 billion, probably as large as our entire balance of payments deficit in 1965.

IMPORT PENETRATION BY PRODUCT AND AREA

The steel import penetration of the U.S. market, which reached an average level of 10.3 percent in 1965, varies widely as between different areas of our country. For that reason, it is misleading to talk of such penetration in terms of the national average, as serious as that is.

For wire rods, imports in 1965 accounted for 49 percent of the national market; for wire and products made from wire, imports ranged from 13 to 50 percent of the U.S. market. Japan shipped half the wire rod tonnage and nearly half of the wire in 1965, to a value of more than $120 million.

In the case of two major market areas—the Southwest and the Pacific coast—imports already are supplying one-fifth of their total steel requirements despite the existence in each area of modern, well-equipped steel plants. Obviously, imports are now having a significant impact on the economies of the communities in which such plants are located.

When geographical markets for particular steel products are examined, the critical nature of import invasions becomes quite evident. In southern California, the largest industrial area of the West, nearly half of the hot- and cold-rolled sheet requirements are supplied by foreign steel producers, principally the Japanese. On a national basis, their rate of increase is greater than that of any other steel product. Also, on the west and gulf coasts, more than half the welded steel pipe sold to domestic customers is imported. Such high levels of market penetration have obvious implications for the future in other parts of the country where foreign marketing efforts are as yet in less advanced stages. For example, in 1965, an alarming rise in imports occurred in the major steel-using area comprising the States bordering the Great Lakes, including Indiana. Imports now threaten to flood this area through the easily accessible Great Lakes ports just as they have already flooded coastal areas of the country.

EFFECT ON DOMESTIC INDUSTRY

Imports on the scale experienced in 1965 and the continuing trend toward still higher imports in the future can only result in weakening the capability of domestic producers to meet normal domestic demand, to say nothing of the requirements of emergency periods.

In the event of interruption of international trade, for whatever reason, there would be no assurance of a supply of steel adequate to meet the needs of our economy. Already we have witnessed the liquidation of a substantial portion of nail and barbed wire manufacturing facilities. In a time of national emergency, such inadequacy would be of critical importance.

As a result of differences in taxation policies as between the principal foreign steel-producing countries and the United States, imported steel which has been exempted from a substantial share of taxes in the producing country enters our market to compete with fully taxed domestic products manufactured under union contracts and progressive labor laws of the United States.

It becomes increasingly apparent that the home market customers of many foreign steel companies are, in effect, subsidizing their export sales. As the chairman of a major British steel company—Sir Richard Summers, of John Summers & Sons, Ltd., February 3, 1966—recently stated, referring to market conditions last year:

> Unfortunately prices in the export markets are very weak, and fell away all through the financial year, more particularly in the last two or three months, with an adverse effect on the whole steel trade. They have now reached a point

where they are very much below domestic prices, and here I would remind you that British home steel prices are highly competitive with others throughout the world.

It also seems clear that the sale of steel exports to the U.S. market is being achieved in many cases by commercial practices which are contrary to our antitrust and fair trade statutes. In this regard I would like to quote on this subject from two recent articles which appeared in foreign publications.

Speaking of Japanese tactics in exporting steel, the Japan Economic Journal reported in March of this year as follows, and I quote:

> For creating better order in exports of steel products, 27 major steel manufacturers engaged in steel sales in the U.S. market last week decided to establish export cartels controlling prices and quantities of steel exports in the United States.

Senator HARTKE. Let me interrupt at that point, Mr. Roche. Here is a point not dealing with the production cartels to which I referred earlier. These are export cartels which are really sales organizations or marketing operations, isn't that true?

Mr. ROCHE. Precisely.

Senator HARTKE. Yes. Coming back to that very problem, it has been stated here that if there were any violations of so-called fair trade practices or antitrust regulations that the U.S. Government has available the Federal Trade Commission, the Justice Department, the Tariff Commission. I think those are the three to which they referred, which would be available to them to seek appropriate relief.

Can you tell me what agency could find any type of action under any procedure whatsoever to go against a cartel marketing arrangement as long as it was confined strictly to overseas operations and the contractual relationship inside the United States only dealt with the cartel itself on a strictly business operation basis? In other words, the importer here would make a legitimate business contract with a cartel marketing operation. What available relief could there be in the United States in regard to such an item? Do you have any suggestions?

Mr. ROCHE. I do not know of any current relief that might be available.

Senator HARTKE. That is what I mean.

Mr. ROCHE. Except as an interpretation of our own antitrust laws might hold that actions by foreign manufacturers in bringing materials into this country, into this market, under trade practices that we would not tolerate here were prohibited, and that the materials could be stopped at our border. In other words, that we would not have our own domestic industry powerless to deal with a situation simply because it happens to take place outside our border.

The most effective way I would know would be that if the material is moved into our domestic market as a result of trade practices, which we would not condone here, we may not be able to touch, jurisdictionwise, the producers in the foreign country, but we certainly ought to be able to penalize them by not permitting their material to come in.

Senator HARTKE. Under present law there is no such relief available, and the closest item to it would be the possibility of raising the question before the Tariff Commission in regard to something.

Mr. ROCHE. Yes.

Senator HARTKE. And this requires, of course, not alone the findings which were indicated yesterday, but also has something else which has not been discussed here, and that is the fact there is probably about a 2-year litigation, and by the time the decision is reached the real problem may be gone.

Mr. ROCHE. Precisely.

Senator HARTKE. Quite frequently, as has happened when the Communist bloc nations desire to go into dumping operations. What they do is make a penetration of a market with their surplus products or even when they are not surplus. If they want to attempt to kill a market, what they do is move in at extremely low, disastrous prices, and when they move into the market, they try to flood it to such an extent that they kill off the normal supplier. Then they come back in with the typical, unfair trade practice under normal circumstances and say that the regular source has been dried up. They can come back and increase their prices even if they are above world prices. They have at least captured that part of the market.

Mr. ROCHE. Precisely.

Senator HARTKE. This was utilized by the aluminum industry in 1961 and, as a result of that, we had some conversations with the British. We convinced them that they should not participate, and I am glad we did. It is fine to have this type of understanding with our friendly or so-called former allies in international politics. Whether they are allies today or not might be seriously open to question.

But the point I want to make is that not alone is the marketing cartel beyond the reach of the legal process of the United States, but even beyond that of the production cartels which are even further beyond the reach of American legal process, isn't that true?

Mr. ROCHE. Very true.

Senator HARTKE. In other words, you can have steel produced under conditions which would be contrary to legitimate business practices in the United States and, therefore, illegal, for which there would be relief here in the United States. But that same steel can compete with legitimately produced steel in the United States, and the U.S. steel industry has no relief whatsoever; isn't that right.

Mr. ROCHE. It is very true, Senator. And if I may depart from my paper here, the 33 magazine on metal producing in April of this year had this comment to make, and I think it bears a little bit on the point that you are making about collective action identified with production among foreign producers as well as this matter of marketing:

> To obviate individual temptation and mutual suspicion, the big Japanese steel companies are making some effort to mitigate the effects of the new capacity that is rapidly emerging. Agreement has been reached in recent weeks to operate any hot strip mills that were completed after December 1964 at only 33 per cent of capacity for a period of at least one year. The 33 per cent operation rate will be applied in the case of all other steel product facilities to those installations completed subsequent to July 1965. It was also agreed that operating rates would be boosted to 43 per cent after March 31, 1967 provided at least half of the output of the new facilities was for export.

Senator HARTKE. Yes.

Mr. ROCHE. These are identified internal agreements among so-called competitors as to how they are going to not only market the material but also how they are going to handle their production.

Senator HARTKE. Which agreements will probably, if not subject to prosecution in the United States, most certainly would be subject to review by the Justice Department.

Mr. ROCHE. I would think that kind of action would be subject to prosecution in the United States.

Senator HARTKE. That is what I said. But without question would be subject to review by the Justice Department.

I want to point out one situation so that we are not misunderstood. As I understand the *American Fruit* case, the only case in which the United States could really extend its legal arm would be where there would be an actual showing of relationship. If there were an American concern which had part ownership in a foreign concern involved in such an operation, then they could at least reach that American concern and put a cease and desist order or other appropriate action as a result of that. But there would have to be more than just a direct business contractual relationship. It would have to be one in which there was some type of legal connection between the operation of the cartel overseas and the American concern.

Mr. ROCHE. Right.

Senator HARTKE. All right.

Mr. ROCHE. When I get to our recommendations of areas the study might cover, Senator, I touch on that point.

Within the past 2 months the British magazine Metal Bulletin, in reporting that Australian and West German tube companies were shipping galvanized tubes to our west coast, commented:

> * * * This is in spite of a still existing tacit agreement that European steel companies are solely to export to the U.S. East Coast and that the Japanese firms are to sell their products to the West Coast.

That is from the Metal Bulletin of April 19 of this year.

Senator HARTKE. Which demonstrates an even greater concern which should be expressed by America, but here you have an agreement, an international agreement——

Mr. ROCHE. International agreement.

Senator HARTKE (continuing). To share the market.

Mr. ROCHE. The U.S. domestic market.

Senator HARTKE. And to share our market.

Mr. ROCHE. Right.

Senator HARTKE. Not alone to share our market but also to give exclusive territorial rights.

Mr. ROCHE. Precisely.

Senator HARTKE. Which again is a subject of a recent court decision involving one of the motor companies, I have forgotten which it was, in the same line.

Mr. ROCHE. In short, I believe that American producers are thus faced with a one-sided competitive struggle with the rising tide of imports because of these unfair advantages held by the foreign suppliers.

The ease of entry into the U.S. market is expressed in the following quotation from the Stainless Steel Industry of Japan (1963 edition), a publication of the Japanese Stainless Steel Association:

> The United States, the principal importer of Japan's stainless steel on the North American continent, will continue to be the biggest importer of Japan's stainless steel as well as ordinary steels * * * this market is worth extensive efforts in export promotion by the Japanese stainless steel exporters, because the United States has neither import restrictions nor control on foreign exchange.

The massive importation of steel into the home market of the world's largest steel-producing Nation—the United States—is a development of the past 5 years. During this period, steel imports into the other major producing areas—the European Coal and Steel Community, the United Kingdom, and Japan—have shown varying trends, but in none of the three areas has there been the massive volume and rising trend which imports have exhibited in the United States. In 1965, imports into their countries accounted for about 4 percent of the ECSC market for steel, including intra-Common Market trade), 4.5 percent of that of the United Kingdom and less than 1 percent of Japan's, whereas in the United States, as I have indicated, imports have risen to 10.3 percent of the domestic market. For the American steel industry, such a continuing erosion of its domestic market can only mean ultimate deterioration of its capability to supply the national requirements of steel, especially in cases of national emergency.

We believe that the distortion which has developed in the pattern of world steel trade is clear evidence of the inequitable competitive circumstances and unfair practices which surround these massive imports of steel into the United States.

The best available forecasts suggest world steel production and capacity in the range of about 600 million ingot tons output and 700 million tons capacity in 1970, substantially the same surplus capacity as prevails today. Major capacity additions are projected for Western Europe and Japan, while there is no evidence that home market demand or steel consumption in the less-developed countries will increase sufficiently to absorb the additional capacity.

Senator HARTKE. The fact of the matter is in the less-developed nations of the world consumption of steel has been on a continuing downgrade.

Mr. ROCHE. Precisely.

Senator HARTKE. Unless you take into account our aid programs. But if you exclude our aid programs, the consumption of steel in underdeveloped nations is practically nil.

Mr. ROCHE. And I have a few figures on that.

Senator HARTKE. Fine. I am sorry to have anticipated you. I did not mean to do that.

Mr. ROCHE. Parallel to the increase in world steel use, total world exports of steel have doubled—from 29 million tons of steelmill products in 1955 to over 60 million tons in 1965. However, the pattern of this trade has shifted drastically away from one of shipments from the industrialized steel-producing countries to the less-developed countries, to an increasing exchange between the industrialized nations, with the United States by far the major recipient. In the past 10 years, the share of total world imports—exclusive of intra-Common Market trade—accounted for by the less-developed countries declined from 50 percent to a little over 30 percent in 1965, while imports into the United States rose from 4 to 20 percent of total world trade during the same period.

PROTECTION OF HOME MARKETS

In looking for the reasons for this drastic shift in the world trade pattern in steel, one must ask why imports into other countries did not increase as fast as in the case of the United States.

The European steel markets have always been less open than the United States market because of higher costs of entry due principally to the so-called "border taxes," higher tariffs, and other restrictions that reflect the close cooperation between the industries and governments of these countries.

The European Coal and Steel Community and the United Kingdom have been dealing with their steel import problem by imposing duty increases or import surcharges within the past 2 years. These increases leave the United States without challenge as the most open and easily accessible market.

The iron and steel industry is expected to spend more than $2 billion on facility improvements this year. What we are doing for ourselves can best be gathered from responsible published sources during the past 2 years.

For example, this week, the same article that you referred to at the outset, Senator, Business Week in an article entitled "The World Battle for Steel," states, and I just want to quote these two paragraphs from that statement:

> U.S. steelmakers were slower to adopt the new processes because of heavy investment in facilities they couldn't afford to scrap. Besides, the processes had to be scaled up to handle U.S. volume production. But in the 1960's U.S. industry leaped strongly into the race.
>
> The U.S. industry, for its part, led in upgrading iron ore by concentrating it into pellets that made a more uniform and richer blast furnace feed. Now, foreign steelmakers are following this U.S. lead.

The American Metal Market, in its issue of October 18, 1965, stated:

> The nation's new model steel industry, now being designed and built, will be much better prepared to meet the challenge of future peaks and valleys of demand. In particular, it will be geared for more flexible operation, with more productive capacity in reserve.
>
> Within five years, however, at least half of the nation's steelmaking furnaces will be less than 10 years old. And it will be much the same story in steel rolling and processing as the industry puts a whole "new breed" of mills and equipment on stream.

Newsweek, in its September 28, 1964, issue, said:

> Almost everywhere, it seems, American steelmen are straining to make their product more quickly—by new production methods, better—by stricter quality control, and more varied—by technological research into new alloys and applications.

In January 1965, Fortune magazine had this to say in an article entitled "The New Glow in Steel Technology":

> In fact, a tenth of the 1963 sales of domestic steel were in products that didn't exist four years earlier.

This is an area, Senator, where a study can bring forth some interesting developments identified with things we do not hear about from many of the people who are critical of the domestic industry; namely, in the areas of market research, in the development of new products, and a whole new field, as this magazine has stated, of applications of steel that were not even dreamed of 10 years ago.

What some people have viewed as a problem has become a crisis not only for the steel industry but for the Nation as well. For example, the adverse balance of payments in steelmill products, taking into account cost of freight and the effect of AID financing, as I said before, was over $900 million in 1965, and shows no improvement in 1966.

We not only welcome a careful study and analysis of the steel import problem, but we urge that such study and analysis be conducted by an appropriate subcommittee of Congress and that it be designed to be completed by October of this year in order that prompt remedial legislative or administrative action may be taken.

Our experience leads us to conclude that the following are areas which should be explored and analyzed by such a congressional subcommittee:

(1) The extent to which dumping is a factor in steel imports into the United States. Dumping here is used not only in its technical sense, but also in the sense that foreign steel producers dispose of their surplus steel in world markets in ways that can be considered unfair trade practices. As an aid to such a study the U.S. Government could and should by administrative action immediately require certification on all steel imports of the fair market value; i.e., concurrent domestic mill net return, of the particular commodities in the home market of the country of export.

Senator HARTKE. Let me stop you there.

Mr. ROCHE. Yes.

Senator HARTKE. The problem there, of course, is that two arguments will probably be made against it. One of them is that there is no reason, if it does not do any damage to the domestic industry, why you should not permit steel products to come in here at the lowest possible price. If there is inflation or if there is a fight against inflation, both of these bases, would be an argument for cheap steel imports. This would indicate that they would like to hold the price of items down in the United States by permitting importation of steel at distressed prices.

I think the second argument that they would probably put against this is that, after all, what difference does it make to us if there is no domestic indsutry? Whether or not they receive their fair return on their investment is of no matter, if they are content to put up with no return in their own market just to get rid of their surplus steel?

I think as we have had indications here before that neither of these arguments will really hold water because the simple extension of that is, let us close all steel mills down here, bring everything in from overseas, and it will take care of both of those problems. You will have a nice depression. You won't have much purchasing power for very long, and you will have a ruined economy.

I am not one who thinks that God gave us any special right to live in a prosperous economy without giving some thought and some idea to it. To that extent I intend to push forward in this committee to see whether or not we can have some action this year.

I am not one of those who is disposed, I should say predisposed, to failure at the administrative level or at committee level. I might have a little bit of help. The chairman of this committee has indicated to me that he was rather surprised at the real impact that was involved in steel. I think I might have a strong ally in the chairman.

If I do have, I am looking forward to some good days in committee.

Mr. ROCHE. Well, Senator, I think your points are very well taken. The reason we have included this recommendation is, number one, that it is such a simple administrative act to have this certification made, and there has been such great difficulty, particularly in terms of the Japanese, in really determining what the home market price is, that if this certification were required, then for at least the period of time that the study is underway, the record would be there, and easily available, to see whether or not dumping is actually taking place. And I am not talking about dumping in the technical sense. It seems such a simple thing to ask for, because if there is no dumping then certainly the people, the producers, in Japan have nothing to worry about, and if there is, it is about time we learned it.

Senator HARTKE. That is right.

Mr. ROCHE. Well, our second recommended study area concerns the types of special assistance given their steel-producing companies by governments of the major steel-producing countries with respect to tariff and nontariff barriers; loans or loan guarantees; special tax assistance by way of rebate and other assistance; techniques used by other steel-producing countries to protect their home industries on all purchases financed by public funds; and other national preference laws and practices.

(3) The desirability of applying countervailing duties to offset foreign government assistance.

(4) The extent to which the operation of steel facilities in the United States has been discontinued as as result of foreign imports.

(5) The degree to which the industry's employment and revenues and government revenues have been affected by steel imports, and the likelihood of further injury in the years ahead if present import trends are allowed to continue.

(6) The problems created particularly for the specialty steel industry by excessive imports.

(7) The extent to which foreign producers selling in the United States should be required to comply with U.S. antitrust laws and regulations—and this touches on a point we were discussing earlier, Senator.

(8) The need for development of effective international laws of fair competition in international trade.

(9) The extent to which other steel-producing countries apply quantitative restrictions to steel imports.

The long-range dangers posed by massive steel imports are real. It is imperative that a study be made. The steel industry will assist in any way it can in a congressional study of this problem so that the facts may be made evident and appropriate corrective action can be taken promptly.

(The prepared statement of Mr. Roche follows:)

STATEMENT OF JOHN P. ROCHE, PRESIDENT, AMERICAN IRON AND STEEL INSTITUTE

INTRODUCTION

My name is John P. Roche, and I am President of American Iron and Steel Institute, a nonprofit trade association consisting of 70 domestic steel companies representing about 95 percent of total domestic steel production, for whom I speak today. Its activities on behalf of its members include the fields of research, technology and engineering, promotion of the uses of steel, industry-wide statistics, air and water pollution abatement, public relations, public affairs, and industrial relations, including health and safety. The steel industry in the United States employs more than 550,000 persons in about 300 plant communities in 36 states. Total revenue of the industry approximated $18 billion in 1965.

As President of American Iron and Steel Institute, I would like to commend Senator Hartke for the initiative he has taken in introducing Senate Resolution 149. Further, I would like to reaffirm the need for such a study and urge its competion at an early date. It goes without saying that the steel industry would be happy to work actively with the agency that will undertake studies evaluating the impact of huge imports of steel mill products and what can be done about them.

As Senator Hartke clearly stated in introducing Senate Resolution 149 on Stepember 28—a note which he repeated in an interview published in *American Metal Market* on May 27 this year: "A strong probability exists that increasing quantities of foreign steel will be dumped in the United States at depressed prices which can only pose a serious problem to the continued level of domestic production."

Let me make clear at the outset that I do not view the massive importation of steel mill products now flooding this country as a reflection of productive international trade, namely that which is mutually advantageous to both exporting and importing countries, although many infer that it is. Steel mill products are not being imported into the United States primarily because there is a great need for them here, but rather because foreign production is in excess of home market needs. It is being shipped into the United States with destructive effect.

Large tonnages are being imported here from the principal steel-producing countries of the world at whatever price is necessary to get an order. In other words, such countries are using the great United States market as a means to further their own social, political and economic aspirations at our expense. I submit, therefore, that a continuation of unrestrained and massive imports of steel mill products into our market is not in the national interest of the United States.

Before discussing the steel import problem in depth, I would like to urge that the proposed study be made by a Congressional committee or subcommittee in order that it may be put in motion immediately and concluded promptly with whatever assistance may be desired from other government agencies. Study by a Congressional committee would seem to be particularly appropriate since the solution obviously lies within the jurisdiction of Congress. Since it has been suggested that the study be made by a group in which the industry itself would be involved, I would like to point out that such an arrangement would in effect constitute an inquiry of the industry by itself, and would not carry the weight nor have the objectivity of a Congressional study.

I wish to summarize briefly for you, first, the most important aspects of the import problem now facing the steel industry of the United States; second, the major reasons for the growth of this problem; third, some of the background developments in the world steel industry which are essential to an understanding of the problem; and, finally, list some of the factors that might be usefully explored in the proposed study.

THE PROBLEM

A. Import volume

Imports of steel mill products into the United States in 1965 totaled approximately 10,383,000 tons, representing 10.3 percent of total market. Just four years before, in 1961, imports were 3,163,000 tons. This compares with the 1955–1957 period when such imports averaged only 1,200,000 tons annually, or about 1.5 percent of market. The significance of the 1965 import volume can be gauged from the fact that it was equivalent to the combined output in 1965 of Jones & Laughlin Steel Corporation and of Armco Steel Corporation, the fifth and sixth largest American steel producers which directly employ 79,000 workers.

In spite of the closing of the St. Lawrence-Great Lakes seaports in January, February and March, imports of steel mill products in the first four months of this year were at an annual rate of over 8 million tons. It can be anticipated that, with the St. Lawrence Seaway now open, the rate of imports for the remainder of the year will increase even beyond that substantial tonnage.

B. Balance of payments

The deficit in steel trade is a major contributing factor to the balance of payments deficit. In 1965, the value of steel imports exceeded the value of steel exports by $670 million.

To this net import figure must be added an aditional dollar outflow for freight, since much of the imported steel arrives in foreign flag ships; and, in addition, the value of the exports should be reduced by the value of steel sold under AID financing, which does not result in the seller acquiring dollars from foreign sources. When these factors are taken into consideration, the deficit in the steel balance of trade last year approached $1 billion—as compared with the total 1965 balance of payments deficit which is estimated at $1.3 billion. (See Appendix A.)

The Chairman of the President's Council of Economic Advisers, Gardner Ackley, put the problem in historical context on January 3, 1966 by saying, and I quote him:

"Over-all steel imports in the first 11 months of 1965 were up to 9.7 million tons, worth $1,096 million. The value of steel exports was down to $460 million, producing an 11-month steel *deficit* of $636 million, perhaps $700 million for the full year. In 1955–57 we had an average steel *export surplus* of $645 million. Thus the deterioration of our balance of payments due to steel over the last decade is $1.3 billion, probably as large as our entire balance of payments deficit in 1965."

C. Import penetration by product and area

The steel import penetration of the United States market, which reached an average level of 10.3 percent in 1965, varies widely as between different areas of our country. For that reason, it is misleading to talk of such penetration in terms of the national average, as serious as that is.

For wire rods, imports in 1965 accounted for 49 percent of the national market; for wire and products made from wire, imports ranged from 13 percent to 50 percent of the U.S. market. Japan shipped half the wire rod tonnages and nearly half of the wire in 1965, to a value of more than $120 million.

In the case of two major market areas—the Southwest and the Pacific Coast—imports already are supplying one-fifth of their total steel requirements despite the existence in each area of modern well-equipped steel plants. Obviously, imports are now having a significant impact on the economics of the communities in which such plants are located.

When geographical markets for particular steel products are examined, the critical nature of the import invasions becomes quite evident. In Southern California, the largest industrial area of the West, nearly half of the hot and cold rolled sheet requirements are supplied by foreign steel producers, principally the Japanese. On a national basis, their rate of increase is greater than that of any other steel product. Also, on the West and Gulf Coasts, more than half the welded steel pipe sold to domestic customers is imported. Such high levels of market penetration have obvious implications for the future in other parts of the country where foreign marketing efforts are as yet in less advanced stages. For example, in 1965, an alarming rise in imports occurred in the major steel-using area comprising the states bordering the Great Lakes, including Indiana. They now threaten to flood this area through the easily accessible Great Lakes ports just as they have already flooded coastal areas of the country.

D. Effect on domestic industry

Imports on the scale experienced in 1965 and the continuing trend toward still higher imports in the future can only result in weakening the capability of domestic producers to meet normal domestic demand, to say nothing of the requirements of emergency periods.

The 10.4 million tons of steel imported in 1965 was a three-fold increase over 1960, and represented one of every 10 tons used in this country last year. They approximated the combined shipments of Inland Steel Company plus Youngstown Sheet and Tube Co., or of Jones & Laughlin Steel plus Armco.

Should this growth continue unchecked at the same rate, imports by 1970 would skyrocket to nearly 30,000,000 tons, about 1½ times the 1965 shipments of the biggest American steel producer, United States Steel Corporation.

In the event of interruption of international trade, for whatever reason, there would be no assurance of a supply of steel adequate to meet the needs of our economy. Already we have witnessed the liquidation of a substantial portion of nail and barbed wire manufacturing facilities. In a time of national emergency, such inadequacy would be of critical importance.

As ominous as the implications of this projection are in terms of lost market opportunity, they are at least as disturbing in terms of the potential impact on steel employment. Such an increase in imports would result in a potential loss of future direct employment in the domestic steel industry by very substantial proportion. Even allowing for a rising trend of industry efficiency, the 1970 employment loss related to 30 million tons of imports would be on the order of 180,000 jobs.

THE REASONS FOR THE HIGH VOLUME OF IMPORTS

Does this rising trend of steel imports represent a true economic advantage of foreign producers in terms of costs of production and distribution? The technology of steel manufacture is a complex and changing applied science which is becoming increasingly internationalized. The economic and social charges that go into the price of goods are obviously at different levels in different countries; for example, wage rates, raw materials prices, taxes and interest rates. As a result of differences in taxation policies as between the principal foreign steel-producing countries and the United States, imported steel which has been exempted from a substantial share of taxes in the producing country enters our market to compete with fully-taxed domestic products manufactured under the union contracts and progressive labor laws of the United States.

The foreign steel producer, under normal circumstances, can enter the U.S. market only by offering steel products at prices substantially below our current domestic level. He functions under an economic system in which he feels obligated to maintain the highest practical operating level regardless of his home market conditions. Then he must dispose of excess tons in the export market at whatever prices he can obtain regardless of costs. Pressures from his own government for dollar exchange or other reasons may also influence his entry into our market at prices frequently below his home market prices, in violation of the spirit and intent of United States anti-dumping laws.

One need only be familiar with foreign trade publications to know that the typical situation is one of sharply fluctuating export price quotations, in many cases well below reported prices for domestic delivery. This situation, in the case of Europe, is regularly discussed, for example, in the official reports of the Economic Commission for Europe, a United National body in Geneva. There can be little doubt under the circumstances that the home market customers of many foreign steel companies are, in effect, subsidizing their export sales in this and other ways. As the Chairman of a major British steel company [1] recently stated, referring to market conditions last year:

"Unfortunately prices in the export markets are very weak, and fell away all through the financial year, more particularly in the last two or three months, with an adverse effect on the whole steel trade. They have now reached a point where they are very much below domestic prices, and here I would remind you that British home steel prices are highly competitive with others throughout the world."

It also seems clear that the sale of steel exports to the United States market is being achieved in many cases by commercial practices which are contrary to our anti-trust and fair trade statutes. I would like to quote on this subject from two recent articles which appeared in foreign publications.

Speaking of Japanese tactics in exporting steel, the *Japan Economic Journal* reported:

"For creating better order in exports of steel products, 27 major steel manufacturers engaged in steel sales in the U.S. market last week decided to establish export cartels controlling prices and quantities of steel exports to the United States."—*Japan Economic Journal* 3-15-66.

Within the past two months, the British magazine, *Metal Bulletin*, in reporting that Australian and West German tube companies were shipping galvanized tubes to our West Coast, commented:

"* * * This is in spite of a still existing tacit agreement that European steel companies are solely to export to the U.S. East Coast and that the Japanese firms are to sell their products to the West Coast."—*Metal Bulletin*, England 4-19-66.

In short, I believe that American producers are thus faced with a one-sided competitive struggle with the rising tide of imports because of these unfair advantages held by the foreign suppliers.

The ease of entry into the U.S. market is expressed in the following quotation from the *Stainless Steel Industry of Japan* (1963 edition), a publication of the Japanese Stainless Steel Association:

"*The United States*, the principal importer of Japan's stainless steel on the North American continent *will continue to be the bigest importer of Japan's*

[1] Sir Richard Summers of John Summers and Sons, Limited, February 3, 1966.

stainless steel as well as ordinary steels * * * *this market is worth extensive efforts in export promotion by the Japanese stainless steel exporters, because the United States has neither import restrictions nor control on foreign exchange.*"

BACKGROUND OF PROBLEM

I have outlined the import problem in the United States market for steel products, and also what I believe is a major part of the explanation of its causes. However, the picture would not be complete if I were to omit reference to developments in recent years in the steel industries of Western Europe and Japan, as well as in the less developed countries which historically have been the major export markets for steel products.

It should first be emphasized that this background of world steel industry development is fundamental to an understanding of the development of the steel import crisis in the United States markets and its long-term significance.

A. World Capacity and Production

In the past ten years, world steel output has increased by over two-thirds—from nearly 300 million ingot tons in 1955 to a record of 500 million tons last year. Over the same period, world capacity to produce steel increased even more rapidly—from approximately 300 million tons to nearly 600 million tons—leaving an excess of about 100 million tons of capacity to hover over the world steel import and export markets. What is more, planned expansion for the future will not diminish and may, in fact, aggravate the problem. Much of this new capacity was installed in Western Europe and Japan after World War II, and some of it admittedly has been installed for the express purpose of exploiting export markets, particularly the United States.

The ever-growing excessive foreign steel capacity and production, the results of which plague the American steel industry, is augmented by the race in many less-developed countries to attain self-sufficiency in steel production. The less-developed countries have also built steel capacity at a rapid rate for the purpose of improving their own balance of payments situation and also as a status symbol irrespective of domestic demand. In the last decade, the emerging countries in Africa, Asia and Latin America nearly tripled their steel production and almost doubled their *share* of world output. Some 20 countries have joined the ranks of the steel producers and, as a result, the less-developed countries have stabilized their import volume and sharply reduced the import share of their steel supply. Some of them have even begun to export steel.

B. International trade in steel

Parallel to the increase in world steel use, total world exports of steel have doubled—from 29 million tons of steel mill products in 1955 to over 60 million tons in 1965. (If intra-ECSC trade were excluded, the figures would be 23 million tons and 50 million tons, respectively.) However, the pattern of this trade has shifted drastically away from one of shipments from the industrialized steel-producing countries to the less-developed countries, to an increasing exchange between the industrialized nations, with the United States by far the major recipient. In the past ten years, the share of total world imports (exclusive of intra-Common Market trade) accounted for by the less-developed countries declined from 50 percent to a little over 30 percent in 1965, while imports into the United States rose from 4 percent to 20 percent of total world trade during the same period.

Last year alone, increased shipments into our market accounted for almost the entire increase in world steel trade. Stated another way, the world's largest steel producer is now the world's largest steel importer.

C. Protection of home markets

In looking for the reasons for this drastic shift in the world trade pattern in steel, one must ask why imports into other countries did not increase as fast as in the case of the United States. In the less-developed countries, new local production tended to displace imports, and this tendency was reinforced by lack of hard currencies and by various government devices to restrict imports.

However, in the case of the steel-producing countries of Europe, there was no lack of hard currency, and in theory, their international trade restrictions were being reduced under the successive rounds of GATT. The European steel markets have always been less open than the U. S. market because of higher costs of entry due principally to the so-called "border taxes," higher tariffs and other restrictions that reflect the close cooperation between the industries and governments of these countries.

The European Coal and Steel Community and the United Kingdom have been dealing with their steel import problem by imposing duty increases or import surcharges within the past two years. These increases leave the U. S. without challenge as the most open and easily accessible market. Neither the ECSC nor the UK have shown any intention of entering into any real tariff bargaining on steel. In this regard, it is most important that our GATT negotiators, in their eagerness to make a success of the Kennedy Round, do not sacrifice our steel industry by bargaining away our already low costs of entry on steel mill products.

The massive importation of steel into the home market of the world's largest steel-producing nation—the United States—is a development of the past five years. During this period, steel imports into the other major producing areas—the European Coal and Steel Community, the United Kingdom and Japan—have shown varying trends, but in none of the three areas has there been the massive volume and rising trend which imports have exhibited in the U.S. In 1965, imports into their countries accounted for about 4 percent of the ECSC market for steel (excluding intra-Common Market trade), 4.5 percent of that of the UK, and less than 1 percent of Japan's; whereas in the United States, as I have indicated, imports have risen to 10.3 percent of the domestic market. For the American steel industry, such a continuing erosion of its domestic market can only mean utimate deterioration of its capability to supply the national requirements of steel, especially in cases of national emergency.

We believe that the distortion which has developed in the pattern of world steel trade is clear evidence of the inequitable competitive circumstances and unfair practices which surround these massive imports of steel into the United States.

The best available forecasts suggest world steel production and capacity in the range of about 600 million ingot tons output and 700 million tons capacity in 1970, substantially the same surplus in capacity as prevails today. Major capacity additions are projected for Western Europe and Japan, while there is no evidence that home market demand or steel consumption in the less-developed countries will increase sufficiently to absorb the additional capacity.

The future, therefore, seems to promise an intensification of the efforts of European and Japanese mills to dispose of their steel in the United States, utilizing the practices I have described and impelled by an increasing production capability at home. Their home markets, of course, will continue to be protected as may be necessary by various governmental and quasi-governmental measures. Consequently, we should expect that imports will continue to be sold in increasing volume at whatever prices they will bring in the world's largest and freest market—the United States.

SUMMARY

Since 1960, the steel industry of the United States has struggled with the rising tide of steel imports. Despite huge investments in new and improved facilities, success in this struggle is not easily attainable.

While we have dealt in some detail with the experience of the past five years, it is the long term that deserves the most careful consideration. Projection of the present import trend for another five years would constitute a problem of major proportions for the nation as a whole. Conditions of temporary abnormal demand for steel have no relevance to this long-term trend.

Further erosion of the position of the steel industry of the United States in its home markets can only lead to impairment of its ability to compete and to serve the nation's needs in time of peace and war.

It is extremely important that the steel industry retain the strength to continue to modernize, create new technological breakthroughs and take advantage of such breakthroughs as rapidly as possible.

The massive volume of imports may discourage further major capital projects. This would be dangerous to the nation's welfare, even though it is recognized that current investment decisions are not likely to result in productive capacity for several years. Such losses cannot be made up over night.

The iron and steel industry is expected to spend more than two billion dollars on facility improvements this year. Obviously, outlays of this magnitude cannot be justified for long if the upward trend of imports continues.

What some people have viewed as a problem has become a crisis, not only for the steel industry, but for the nation as well. For example, the adverse balance of payments in steel mill products, taking into account cost of freight and the effect of AID financing, was over 900 million dollars in 1965, and shows no improvement in 1966.

We not only welcome a careful study and analysis of the steel import problem, but we urge that such study and analysis be conducted by an appropriate subcommittee of Congress and that it be designed to be completed by October of this year in order that prompt remedial legislative or administrative action may be taken.

Our experience leads us to conclude that the following are areas which should be explored and analyzed by such a Congressional subcommittee:

(1) The extent to which dumping is a factor in steel imports into the United States. Dumping here is used not only in its technical sense, but also in the sense that foreign steel producers dispose of their surplus steel in world markets in ways that can be considered unfair trade practices. As an aid to such a study, the United States government could by administrative action immediately require certification on all steel imports of the fair market value, i.e., concurrent domestic mill net return, of the particular commodities in the home market of the country of export.

(2) The types of special assistance given their steel-producing companies by governments of the major steel-producing countries with respect to tariff and non-tariff barriers; loans or loan guarantees; special tax assistance by way of rebate or otherwise; techniques used by other steel-producing countries to protect their home industries on all purchases financed by public funds; and other national preference laws and practices.

(3) The applicability of contervailing duties to offset such government assistance.

(4) The extent to which the operation of steel facilities in the United States has been discontinued as a result of foreign imports.

(5) The degree to which the industry's employment and revenues and government revenues have been affected by steel imports, and the likelihood of further injury in the years ahead if present import trends are allowed to continue.

(6) The problems created particularly for the specialty steel industry by excessive imports.

(7) The extent to which foreign producers selling in the United States should be required to comply with United States anti-trust laws and regulations.

(8) The need for development of effective international laws of fair competition in international trade.

(9) The extent to which other steel-producing countries apply quantitative restrictions to steel imports.

The long-range dangers posed by massive imports are real. It is imperative that a study be made. The steel industry will assist in any way it can in a Congressional study of this problem so that the facts may be made evident and appropriate corrective action can be taken promptly.

Appendix A

Statement on Balance of Payments, Revised May 31, 1966

The progressive erosion of the international steel trade position of the United States over the past several years has been a matter of deepening concern to American steel producers.

As is well known, the United States, as the largest world producer of this basic metal, had been a consistent and substantial net exporter of steel over an extended period of time, stretching back to the beginning of the century. This traditional position suffered a dramatic reversal in 1959 when imports for the first time exceeded exports, partly due to special circumstances flowing from the steel strike. However, since that year, steel imports into the United States have been rising—at an increasing rate since 1961—and the negative trade balance has been widening, both in terms of physical volume and dollars.

This unsatisfactory situation, it is feared, is not a temporary phenomenon, attributable to unusual market conditions According to past experience, the tendency has been for foreign producers to take full advantage of available opportunities and then to consolidate their new-won position by whatever expedients suggest themselves.

These disturbing trends and prospects hold serious implications for the American steel industry and for our national economy as a whole. Already, grievous losses have been sustained in terms of production, industry employment, and the balance of payments, and all signs point to further deterioration unless measures are taken to correct the situation.

In view of our negative balance of payments crisis, it is the purpose of this paper to direct renewed attention to the trend of export-import trade in steel and to the problem the growing magnitude of the steel trade imbalance poses in its effect on the dollar gap.

The progressive deterioration of the U.S.A. trade balance in steel mill products is shown in the table below. The dollar values are based on official U.S. Department of Commerce statistics, but the import values have been adjusted to reflect the cost of bringing the imported material to the United States. Import values as given in the official statistics represent f.o.b. values at the foreign port of shipment and, as such, do not take into account freight and insurance charges paid by the American importer. Experience shows that steel imports from overseas sources, as a general rule, are carried to our shores in foreign flag ships. Accordingly, such costs constitute an additional drain on our balance of payments. Our findings are that these charges average 10% or more of the declared f.o.b. value of imports.

Making due allowance for the freight and insurance factor, the figures in the table show that, in terms of dollars, the deterioration in our steel trade balance amounted to $760 million, comparing 1964 to 1957.

The drastic change in our foreign trade position in steel was given full recognition in the Report of the Council of Economic Advisers on Steel Prices (Ackley Report), released by the White House, May 4, 1965. This report placed the adverse impact on the balance of payments of the reversal in the U.S.A. steel trade position as between 1955–57 and 1964 at $791 million. Allowance for freight and insurance on imports would raise their figure to an estimated $873 million.

Steel imports first exceeded exports in value in the year 1959. In both 1963 and 1964, the cost of steel imports exceeded the dollar return from exports by between $200–225 million. In 1965, further adverse shifts in both exports and imports raised the annual dollar deficit to $788 million. If developments over the past several years are indicative of the trend, as we fear they are, the annual balance of payments deficit on steel trade account alone could reach even more alarming magnitudes in the years to come.

Imports and exports of steel mill products

	Imports		Exports		Balance	
	Thousands of tons	Millions [1] of dollars	Thousands of tons	Millions of dollars	Thousands of tons	Millions of dollars
1957	1,155	190	5,348	750	4,193	560
1958	1,707	213	2,823	564	1,116	351
1959	4,396	569	1,677	365	−2,719	−204
1960	3,359	491	2,977	601	−382	107
1961	3,163	420	1,990	423	−1,173	3
1962	4,100	532	2,013	424	−2,087	−108
1963	5,446	696	2,224	470	−3,222	−226
1964	6,440	824	3,435	622	−3,005	−202
1965	10,383	1,295	2,489	507	−7,894	−788

[1] Import values increased by 10 percent to adjust them from an f.o.b. to a C.I.F. basis.

It will be noted that both declining exports and rising imports have contributed to the growing deficit, but the upsurge in imports has been by far the principal factor accounting for the change.

Actually, in terms of the negative effect on the balance of payments, the export position is even more unfavorable than indicated. This is because, in fact, a large volume of steel exports is being financed by commodity loans granted by the Agency for International Development—AID. In such cases, foreign buyers are supplied with dollars by the United States Government on liberal long-term terms of repayment. In the circumstances, AID-financed exports make no net contribution to the balance of payments on current account.

If the value of steel exported under AID loans is subtracted from the export total, the true effect of the steel balance is shown, as indicated in the table below:

[In millions of dollars]

	Balance of steel trade	AID-financed steel exports	Net effect of steel trade on balance of payments
1957	560	33	527
1958	351	20	331
1959	−204	13	−217
1960	107	16	95
1961	3	44	−41
1962	−108	122	−230
1963	−226	179	−405
1964	−202	197	−399
1965	−788	150	−938

On this realistic basis, the adverse swing in the balance of payments on steel account between 1957 and 1965 amounted to almost $1½ billion.

Indirect trade in steel

In addition to direct steel exports and imports, trade in manufactured goods gives rise to indirect receipts and shipments of steel in contained form. Virtually all of such indirect trade in steel results from exports and imports of metal manufactures, machinery and vehicles. The balance of payments figures presented above make no allowance for the value of contained steel in our foreign trade picture. The value of the steel contained in these products varies greatly from item to item and it is difficult to arrive at any meaningful figures. On a value-added basis, the dollar volume attributable to the steel used, generally accounts for only a small portion of the total value of the finished product. We conclude further that the value of contained steel in American manufactures shipped abroad would be of a relatively lower proportion than is the case with imported manufactures where materials tend to make up a much greater part of the total cost.

Studies made by American Iron and Steel Institute indicate that the United States balance in indirect steel trade has yielded a net export surplus of an estimated 2.5 million tons annually during recent years. The estimated contribution of this export surplus to the balance of payments is placed at between $300 and $400 million, annually. This is not nearly enough to offset the current deficit on direct steel trade.

APPENDIX B

NON-TARIFF TRADE BARRIERS

A non-Tariff trade barrier is generally defined as any law, regulation, policy or practice of a government, other than the import duty proper, which has a restrictive impact on imports, as well as impediments to trade resulting from the operation of foreign cartels, private monopolies, and other non-governmental business practices. An illustrative list of restrictive trade regulations and practices is included in Exhibit 1.

Principal non-tariff trade barriers in foreign steel-producing countries which tend to limit imports into those countries include: border taxes, surcharges in addition to tariff rates, import licensing and quotas, foreign exchange controls, customs and other administrative formalities, exclusive supplier agreements, national preference laws and practices, and the fact that some market practices prohibited by law in the United States are often condoned in some foreign countries.

The incidence of such barriers varies widely from country to country with respect to steel mill products. In general, the industrialized nations are freer from such barriers than are the developing countries. Nevertheless, many industrialized countries have effective devices for limiting imports. For example, Japan still has stand-by import licenses and foreign exchange controls which have been invoked from time to time to curb imports. In Western Europe, the widespread use of transactions or equalization taxes drastically affects the competitive position of countries, like the United States, which depend less on such indirect taxes on sales and more on direct taxes on personal and corporate net income. Present European practice is to levy such taxes on imports and to rebate them on exports.

IMPACT OF DIFFERENCES IN NATIONAL TAX SYSTEMS ON INTERNATIONAL TRADE

United States revenue comes primarily from direct taxation of income and property (approximately 80%), which are basically levies on production, and secondarily from indirect federal excise and state sales taxes (approximately 20%), which are basically levies on consumption. Conversely, European countries and Japan depend primarily on indirect taxes (ranging from approximately 70% in the Netherlands to about 50% in France) and secondarily on direct forms of taxation (30%–50%).

Current doctrine of the General Agreement on Tariff and Trade (GATT) permits the rebating of indirect taxes by an exporting country, but prohibits either the remission of direct taxes or the imposition by an importing country of equalization taxes to compensate for direct tax burdens assumed by domestic producers.

It may be argued that assessment of border taxes abroad does not place American exporters at a competitive disadvantage since foreign producers must also pay transaction taxes on their domestic sales as part of their internal tax liability. It should be noted, however, that the price of American exports includes the full United States business tax liability. On the other hand, imports into the United States from such European countries are exempted from part of their domestic liability and additionally assume no United States tax liability beyond customs duties, except perhaps excise taxes in rare cases. Thus our exports are taxed twice, while imports into the United States from many European countries do not even bear their share of their national tax liability.

It should be recognized that even if our exports to Europe were to be rebated domestic taxes the equivalent of European turnover taxes, an inequity would still exist since the tax base abroad would be the C.I.F. cost, plus tariff, rather than the invoice or market value. The European practice of levying tariffs on C.I.F. valuations, and then levying domestic border taxes on top of the duty-added C.I.F. valuation, results in a pyramiding tariff-tax system which places U.S. exports at a substantial cost disadvantage when competing in European markets.

Finally, differences in national tax systems adversely affect United States costs in "third-country" markets such as Latin America. It is realized that a subsidy or an incentive by an exporting country does not constitute a trade barrier on the part of the third-country importer. Nevertheless, the exemption of French, West German, Belgian and Canadian exports from their own national transactions or sales taxes compared to the fully-taxed status of United States exports is an obviously inequitable situation.

The following two inllustrations are typical of the impact of European border taxes on the cost of entry of American steel into French and West German markets.

> Cold rolled sheets coming from France to the United States pay ocean freight, tariff and wharfage charges amounting to $42.00 per ton. But a ton of cold rolled sheets shipped from the United States to France incurs costs of freight, import duty and transactions tax totalling $82.20 a ton, or $40.00 more despite the fact that the U.S. import duty is about 3 per cent higher on this product. The French transactions tax alone amounts to $45.40, or more than the combined tariff, ocean freight and other charges the French steel pays to enter the United States market.
>
> In the case of wire rod shipped from West Germany to the United States, ocean freight and import duty combined comes to $21.50 per ton (with no indirect tax at entry to the United States); but in exporting a ton of wire rod from the U.S. to West Germany, ocean freight, import duty and indirect tax at entry amount to $52.28—a difference of over $30 per ton.

Another non-tariff trade barrier is national preference purchasing. Although in the United States the so-called Buy American Act was created to guide Federal purchasing policy, it is a fact that foreign governments, without the benefit of such national legislation, generally do not purchase from foreign sources their own requirements for steel and other commodities which are available domestically.

A two-volume report on the national preference purchasing policies of foreign governments, prepared by Joseph W. Marlow, associated with Cravath, Swaine and Moore of New York City, was introduced into the Congressional Record beginning April 27, 1965. The report substantiates the fact that major world trading countries, such as Japan, France, Belgium and Italy, favor their domestic concerns to the exclusion of U.S. products. Excerpts from the Marlow report are included in Exhibit 3.

In summary, with respect to non-tariff trade barriers, United States producers are significantly affected by the impact of barriers erected by other nations, in the case of United States sales to these countries, in competition with their products in "third country" markets and in competition with imports from those countries in the United States domestic market.

Although border taxes of industrialized nations have occupied a prominent position in this statement, other types of non-tariff trade barriers likewise operate effectively to lessen the competitive ability of United States mills in world markets. In this connection, principal trade deterrents consist of import licensing and foreign exchange controls in Japan, and the existence of those same barriers, in addition to surchanges on tariffs, in a large number of the developing countries.

EXHIBIT 1

ILLUSTRATIVE LIST OF NON-TARIFF TRADE BARRIERS, AS COMPILED BY THE U.S. DEPARTMENT OF COMMERCE

The following is an illustrative list of trade regulations and practices which may be so drawn or administered as to have a restrictive effect on the sale of U.S. goods abroad, and should be considered as non-tariff trade barriers.

A. Customs Law:

(1) Regulations governing the right to import.
(2) Valuation and appraisement of imported goods.
(3) Classification of goods for customs purposes.
(4) Marking, labeling, and packaging requirements.
(5) Documentary requirements (including consular invoices).
(6) Measures to counteract disruptive marketing practices; e.g., anti-dumping and countervailing duties.
(7) Penalties (for example, fees charged for mistakes on documents).
(8) Fees assessed at customs to cover cost of processing (handling) goods.
(9) Administrative exemptions (for example, administrative authority to permit duty-free entry of goods for certain purposes).
(10) Treatment of samples and advertising material.
(11) Prohibited and restricted imports.
(12) Administration of customs law provisions (delay in processing goods, inadequate or delayed publication of customs information).

B. Other legislation specifically applicable to imports, under which restrictions are applied prior to entry of goods

(1) Taxes.
(2) Balance of payments restrictions (including quantitative import restrictions, licensing fees, prior deposit requirements, import surcharges, credit controls on import transactions, multiple exchange rates).
(3) Restrictions imposed to protect individual industries (including measures to protect infant industries).
(4) Taxes applied to imports to compensate for indirect taxes borne by comparable domestic goods (European turnover taxes).
(5) Restrictions applied for national security reasons (other than under Customs Law).
(6) State trading (or the operation of enterprises granted exclusive or special import privileges).
(7) Sanitary regulations (other than under Customs Law).
(8) Food, drug, cosmetic, and pharmaceutical regulations.
(9) Patent, trademark and copyright regulations.
(10) Shipping and insurance regulations.

C. Other legislative and administrative trade barriers

(1) Government purchasing regulations and practices.
(2) Domestic price control regulations.

(3) Restrictions on the internal sale, distribution and use of products:
  (*a*) Screen quotas and other restrictions affecting motion picture film and television program material.
  (*b*) Specifications, standards, and safety requirements affecting such products as electrical equipment, machinery and automobiles.
  (*c*) Internal taxes that bear more heavily on U.S. goods than on domestic products (for example, automobile taxes in Europe based on horsepower rating).
(4) Restrictions on advertising of goods.
(5) Restrictions on display of goods at trade fairs and exhibitions.

EXHIBIT 2

BORDER TAXES IN EUROPEAN ECONOMIC COMMUNITY COUNTRIES

Belgium: Transmission tax of 7 to 19 percent of the duty-paid value of all imports from whatever source. Almost all items take the 7 percent rate; few take a 13 percent rate (mainly certain categories of tubes, railway and construction material and some special purpose items).

France: Sales tax of 25 percent ad valorem on CIF duty-paid value and a customs stamp tax of 0.2 percent ad valorem based on total customs carges.

West Germany: Turnover equalization tax of 6 to 8 percent on the duty-paid value.

Italy: General sales tax of 4.0 percent on all items. There is also a compensatory import tax of 4.8 percent on all items except on tubes and pipe (SITC Nos. 678.2 and 678.3) for which the rate is 6.5 percent, based on the CIF duty-paid value, plus on 0.5 percent administrative tax on the value after the foregoing taxes have been applied.

Luxembourg: Import tax of 3 percent of the duty-paid value of all imports from whatever source. Also, there is a turnover tax of 3.09 percent of the duty-paid value of all imports from whatever source.

Netherlands: Turnover tax up to 11 percent of the duty-paid value of imports from whatever source. Most items fall in the 5 to 9 percent range, with only a few sub-items (mainly certain categories of tubes and railway construction material) taking the higher rate.

NOTE.—Border taxes are also imposed by many countries outside of the European Economic Community, in Europe, Africa, Latin America, and Asia, including: Austria, Egypt, Greece, Iran, Philippines, and Sweden.

EXHIBIT 3

NATIONAL PREFERENCE PURCHASING POLICIES OF FOREIGN GOVERNMENTS IN THE AWARDING OF PUBLIC CONTRACTS

The following excerpts are taken from a two-volume report by Joseph W. Marlow which was introduced in the Congressional Record, beginning April 27, 1965, by Congressman John P. Saylor of Pennsylvania.[1]

JAPAN

The fundamental principle of Japanese Government procurement is competitive tendering with public advertisement, but many exceptions have been provided for in laws and orders pursuant to Article 29 of the Account Law. In many cases it is customary to adopt limited competition by selected supplies.

The most important exceptions, which provide for an outright preference for Japanese producers, are set forth in the Cabinet Order No. 336 of September 25, 1963 (published in the Official Gazette of the same date), which amended the special exceptions to the Cabinet order concerning budget, settlement of accounts and accounts (Imperial Order No. 558 of 1946) to provide additionally as follows (unofficial translation from Japanese):

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[1] Printed in Congressional Records of April 27, 28, 29, May 3, 4, 6, 10, and 11, 1965.

"Article 4–(15) : In purchasing any of the goods included in the goods designated by the Minister of Finance (hereinafter referred to as the 'Designated goods'), the chief of any Ministry or Agency may, for the time being for the purpose of encouraging the use of domestic products, make such purchase through limited competition, in addition as provided for in laws and orders in accordance with the provisions of Article 29–(3), paragraphs 5 of the Account Law.

"Before inviting the limited competition in accordance with the provisions of the preceding paragraph, the Chief of any Ministry or Agency shall confer with the Minister of Finance.

"Article 4–(16) : If the Chief of any Ministry or Agency finds that in a competitive bidding invited with respect to the purchase of any of the Designated goods, there are two or more persons who have offered the same price that would make their bids successful, he may, for the time being, designate as the successful bidder, the person who will supply such Designated goods in domestic products. If, in that case, there are two or more persons who would be the successful bidder, the successful bidder shall be determined in accordance with the provisions of article 83 of the Cabinet Order."

According to Japanese counsel, the "Buy Japan" policy reflected by the above-quoted provisions will be carried on in such a way as to give preference to Japanse goods, regardless of cost, notwithstanding the provisions of article 4–(16).

BELGIUM

All government contracts are governed (effective January 1, 1965) by the law relating to contracts entered into on behalf of the state of March 4, 1963 (Moniteur Belge, April 3, 1963), as implemented and regular by the royal decree of October 14, 1964, and by a ministerial decree of the same date which prescribes the general contract conditions (Moniteur Belge, Oct. 17, 1964).

The 1963 law provides for the following methods of the award of government contracts:

1. General public tendering (adjudication publique)—publication of an invitation for competitive bidding in the bulletin published for that purpose and the opening of bids in public.
2. Restricted public tendering (adjudication restreint)—invitation for competitive bidding (without publication) limited to those entrepreneurs or suppliers whom the Minister concerned decided to consult. Those entrepreneurs and suppliers are the only ones permitted to submit bids and to attend the opening thereof.
3. General invitation for offers (appel d'offres general)—publication of an invitation for competitive bidding in the bulletin published for that purpose.
4. Restricted invitation for offers (appel d'offres, restreint)—invitation for competitive bidding (without publication) limited to only those enterepreneurs or suppliers with whom the Minister concerned decides to consult.
5. Negotiated contract (marche de gre a gre)—negotiation of a contract by the Minister concerned with, and assignment of the contract to, the entrepreneur or supplier whom the Minister selects.

The Minister concerned has complete discretion to designate the method to be used in any case, except that the negotiated contract method may be used only in the 12 cases specified in the law, which include contracts that must be concluded abroad by reason of their nature or their special conditions.

In the case of general or restricted public tendering the Minister concerned is bound to accept the lowest bid (if he accepts any). In the case, however, of general or restricted invitations for offers the Minister concerned has complete discretion to accept the bid which he deems the most advantageous (la plus interessante) according to objective criteria set out in the law. Moreover, in either case the Minister concerned may decide not to conclude a contract and may order that the procedure be repeated, even in a different manner, if necessary.

The law thus affords ample basis for the exercise of administrative discretion in favor of Belgian nationals and Belgian firms.

FRANCE

French Government contracts are generally governed by the Public Contracts Code established by the Public Contracts Code established by Decree No. 64–729 of July 17, 1964 (Journal Officiel, July 21, 1964, p. 6438), which is for the most part a codification of a large number of earlier decrees and other regulatory provisions.

The Code provides for the following principal methods of leet contracts:

1. Open public tendering (adjudication cuverte): bidding is open to all interested persons.
2. Restricted public tendering (adjudication restreinte): Only persons approved by the contracting authority may submit bids.
3. Open invitation for bids (appel d'offres ouvert): Bidding is open to all interested persons.
4. Restricted invitation for bids (appel d'offres restreint): Only persons approved by the contracting authority may submit bids.
5. Private contract (marche de gre a gre): The contract may be negotiated with a supplier or contractor selected by the contracting authority.

The Code also provides for a special type of competitive invitation for bids (appel d'offres avec concours), which is authorized when technical, aesthetic or financial considerations justify special research, such as a proposal for a new public building of modern design. The competition takes place on the basis of a program drawn up by the contracting authority.

In the case of public tendering the contracting authority must award the contract to the lowest bidder, provided the price does not exceed the stipulated maximum and subject, in the case of open public tendering to the right of the contracting authority to exclude bidders whom it regards as presenting insufficient moral, financial or technical qualifications.

In the case of invitations for offers the contracting authority need not accept the lowest bid and may accept the bid which it deems the most advantageous (la plus interessante) according to objective criteria set forth in the Code.

Except for the private contract method, the contracting authority has complete discretion to select the method by which the contract is to be let. Theoretically, the use of the private contract method is limited to the special cases specified in the Code.

In any case the contracting authority always retains the right to reject every bid and to order the bidding procedure repeated. In the case of invitations for bids, the contracting authority may elect to negotiate a private contract.

As the result of the broad interpretation given by the administrative authorities to the special cases permiting the use of the private contract method, which the code and previous statutory and other provisions on which it is based regard as the exceptional method, it is in fact the one most frequently used.

In practice, therefore, there is ample opportunity for discrimination against foreign bidders.

ITALY

The public works and public supply contracts of the State are governed by the provisions of Royal Decree No. 2440 of November 18, 1923, making new provisions regarding the administration of Government funds and the general accounting for Government services, as implemented and regulated by Royal Decree No. 827 of May 23, 1924, approving the rules for administration of Government funds and the general accounting for Government services.

Articles 3, 4, and 6 of the 1923 decree provide for the following four methods for the letting of contracts:

(1) Public tender (asta pubblica)—public invitations for tenders are issued to an unlimited number of bidders by notices in the press, and, in the case of larger contracts, in the Gazetta Ufficiale (Official Gazette) of the Republic.

(2) Selective tender (liticazione privata)—private invitations to tender are issued to a limited number of suppliers or contractors selected by the contracting authority.

(3) Competitive tender (appalto-concorso)—this method is essentially the same as selective tender but is used in special cases.

(4) Private contract (trattativa privata)—the contract is let after private negotiation with one or more selected suppliers or contractors.

Under the public tendering and selective tendering procedures, the contract is awarded to the bidder who offers the best terms (i.e., the lowest tender in price). The contracting authority does not have discretion to select the bid which appears to it to be the best or the most advantageous. Nevertheless, the contracting authority has the power to exclude any bidder, despite the regularity of the documents which he presents. The exclusion may not be appealed and no reason need be given thereof.

In the case of public works, bids by foreign firms are effectively precluded by the fact that all contractors perform works pertaining to the State or to public entities in general in an amount exceeding 10,000,000 lire (about $16,600) shall be registered in the national list of contractors established by Law No. 57 of February 10, 1962 (Gazzetta Ufficiale, March 2, 1962). Articles 13–15 of such Law contain detailed prerequisites for inscription on the list. Most important, Article 13, read in conjunction with Article 15, requires, with respect to private firms, partnerships and corporations that the technical manager and all legally responsible directors be Italian nationals, or if they are foreigners, residents of Italy and nationals of countries which grant the same privilege to Italian citizens on a reciprocal basis.

Nevetheless, the basic form of discrimination against foreign bidders is administrative in nature. Despite the fact that the basic laws and regulations prescribed public tendering as the standard and normal method of letting contracts, the contracting authorities have so interpreted the law and regulations as to relegate public tendering to second place in favor of selective tendering, with the result that that method is used in an estimated 70 to 80 percent of the cases.

Ability of the Domestic Steel Industry To Supply the Requirements of the Steel Consuming Industries in the United States

At the hearings before Senator Hartke last week a statement was made that imports "helped to stave off a crisis in our domestic economy by averting a serious shortage of steel." This is not the first time an effort has been made to portray imports as some kind of windfall. A look at the true situation might be helpful.

There are no official published figures on the use of steel in the United States, but most estimates of the total steel consumption in this country in 1965 place this usage in the range of 93–95 million tons and most forecasts of steel consumption this year show about a 3 million ton increase over last year's record. In the period beginning January 1, 1965 and ending June 30, 1965 the American steel industry, at annual rates, shipped nearly 103 million tons of product and produced over 141 million tons of ingots. Thus, the domestic steel industry has already demonstrated that it can produce and ship more steel than was used last year and more than is forecast to be consumed in 1966.

Admittedly, the steel industry may be unable to avoid extended deliveries when consumption is at peak and consumers are determined to build heavy inventories.

Few industries can afford to build sufficient capacity to handle both peak consumption and a doubling in the level of inventories such as occurred recently within a realtively short period of time, without some effect upon delivery.

The impact of large scale low-priced foreign steel has discouraged investment in domestic facilities to produce a few finished products, such as nails. However, there can be no doubt that, with the capacity that has been installed since mid-1965, and continues to be added daily, the industry is capable of producing all of the steel that is being used today with some to spare.

Senator Hartke. Thank you, Mr. Roche, for a mighty fine statement.

Let me ask you a question. Are you willing to compete if all the ground rules are equal in international trade?

Mr. Roche. We certainly are, Senator, and we are looking forward to the opportunity.

Senator Hartke. In other words, you are not asking for any special advantages.

Mr. Roche. No.

Senator Hartke. All you want to do is to have free trade really mean what it says; that is, free trade, and not free trade on one side and restrictions on the other.

Mr. Roche. Precisely.

Senator Hartke. Now, one item has been called to my attention by a staff member. On your recommendation in No. 2, you ask that in the study we should explore and analyze the types of special assistance available to foreign producers with respect to tariffs, and the question then arises, and nontariff barriers. Can you explain what you mean by nontariff barriers.

Mr. Roche. Well, these are a great variety of things, Senator; border taxes, such as transaction or import equalization taxes; surcharges in addition to tariffs; import limitations identified with licenses that must be granted; and import quotas and foreign exchange controls.

Here is one example: One of our producers just learned within the past 3 months that the company had lost an order to a Mexican steel producer, and the material was shipped into this country. The manufacturer was determined to try to get some steel into Mexico, but he learned from our Commerce Department that that particular commodity would not be accepted in Mexico because they will not accept any material if similar material is manufactured by a Mexican company.

These are the types of things that are not immediately related to tariffs. It is any area of activity by a country which discourages or prohibits foreign goods from getting within its own borders.

Here's another example: One of our companies shipped some material to Japan, and it lay on the dock for many, many months before it could get an inspection sticker, and finally never was utilized for the purpose intended.

There are a great number of practices that are going on all over the world, particularly in steel-producing countries, to see to it that even though the tariff may be pointed to as being lower than the U.S. tariff or equal to a tariff in the United States, they find ways and means, with the assistance of the government, to see to it that material does not get in. These practices should be reviewed, and reviewed very carefully.

Senator Hartke. Well, let me say that the question of tariffs is accessible, very readily available, to us as far as we are concerned. But any help that you can provide, even in this field now, even before the study begins in obtaining information on these practices, because these practices are very difficult to ferret out and come up with, we would appreciate.

I might point out that two items which are of special interest to me in my home State of Indiana. To demonstrate again that we are interested in international trade, the great St. Lawerence Seaway opened up the Great Lakes area, including northern Indiana, which is the industrial part of Indiana, to the foreign markets, both ways, in other words, to help us both ways.

But, as you have indicated on page 4, even though the St. Lawrence was closed in January and February they still had imports of steel in the first 4 months of this year at an annual rate of over 8 million tons.

Mr. Roche. Precisely.

Senator Hartke. On page 6 again I note you point out, this is page 6 of your printed statement rather than your summary statement——

Mr. Roche. Yes.

Senator Hartke. You say:

For example, in 1965 an alarming rise in imports occurred in the major steel-using areas comprising the States bordering the Great Lakes, including Indiana, and they now threaten to flood this area through the easily accessible Great Lakes ports just as they have flooded the coasts of the country.

This is probably right on the doorstep of what I consider to be probably the greatest steel-producing area of the world.

Mr. ROCHE. Right.

Senator HARTKE. Are they still able to produce keeping their prices below you and still be competitive there?

Mr. ROCHE. The importer, they certainly are, and they are doing it.

Senator HARTKE. They are doing it.

Mr. ROCHE. Yes.

Senator HARTKE. They are taking away your markets right at our doorstep.

Mr. ROCHE. Right at your doorstep. This is the point that we make, that the early stages of this took place where you would naturally expect it, at the seaports, and the internal markets have not been touched too greatly on a proportionate basis; but, with the opening of the Seaway, it makes Gary just as accessible as New York or New Orleans or Los Angeles or San Francisco. So there is no reason to feel that the problem is limited to the west coast, the east coast and the gulf ports. It has begun to affect the steel producers in the Detroit area and the Chicago area and Indiana and the whole Middle West belt of the country.

Senator HARTKE. On page 8, I think, this is the first time we have had a real relationship pointed out beween tonnage as related to jobs. This is at the top of page 8, really at the bottom of page 7, it begins at the bottom of page 7, and the last line there and the top of page 8, in which you point out there that this could amount to 180,000 jobs lost.

I might point out this, it is something that bothers me in this talk about—which I think is unfortunate, this talk about—full employment today. What we have is full employment of skilled personnel. We still have a vast reservoir of unskilled and potentially developing personnel which could be utilized. If those people were trained, and that 30 million tons were produced here, it would provide an opportunity for 180,000 jobs, and thereby provide for an increase not alone in tax revenues, but a reduction of many of our so-called welfare programs throughout the United States.

I might point out that one of the points here that concerns me about some of our training programs, and some people say, "Well, you are way out into left field with the training programs and also talking about steel import." The difficulty with too many of our approaches to the problems of the day is that people fail to relate their general theory back to specific solutions. This steel import problem is a problem concerning the balance of payments, and it is a problem about finding jobs for people. You do not just put people to work in the United States. You put people to work with employers, unless you hire them as a governmental employee.

Mr. ROCHE. Right.

Senator HARTKE. But the point of it is you do not put them to work in the United States in the broad context.

Now, we have in the United States today over half of our adult population over the age of 25 who do not have a high school education or its equivalent. Now, in this group there is a tremendous potential where if there is an opportunity to put them to work, the industry itself will ultimately come to on-the-job training programs. This is a lot less expensive than all these programs which I voted for, like MDTA and all these other programs. I am for them, but I would rather have industry do it. Let them do it, and if they have an opportunity to sell their products and to increase their employment, then they will train this untrained reservoir of people, and they will start paying taxes and live better.

Now, this is exactly why I am concerned about getting into this import problem now.

Mr. ROCHE. Yes.

Senator HARTKE. Because if you have this continued deterioration, there can be no encouragement for industry to go on into this field except on a very limited basis.

Mr. ROCHE. Yes. Your point is very well taken, Senator.

Senator HARTKE. I am glad to see that you relate the employment loss to the imports themselves.

I might point out here that 31 percent of the steel mill products which are imported into the United States, 32 percent really, come across the Canadian border. You can see readily that we are moving into a field in which we are having a sharp penetration in the Midwest as well as the coastal areas, as you previously indicated.

Mr. ROCHE. Precisely.

Senator HARTKE. I have no further questions, Mr. Roche.

I notice Iron Age gave you a nice little quote in here and said that there was a mixed reaction in the steel industry about this hearing, which is not surprising, they said, after years of agitation by the industry on foreign steel imports. I did not really know you had agitated too much on that. I got into this more on my own, but the industry abruptly pulled out of, they say, Senator Hartke's hearings in March.

Well, just to put the record straight, I postponed them at that time not at the request of the industry or the union or anyone else. As I indicated to you when you were talking to me about it, I was involved in a matter concerning Vietnam at that moment. I did not have the time to get the necessary work done. But that is all right.

It says here that you will participate in this week's session, but won't make any positive recommendations. I do not know who——

Mr. ROCHE. Well, all I can say is, Senator, that sometimes people talk about us unfairly and without having all the facts, just as they do about you.

Senator HARTKE. Well, let us not be too critical of Mr. McManus. I think he probably wrote what he had been informed was the truth, and like some, at least he did not try to put them in front of a senatorial committee, just as another witness did, so that is all right.

Mr. ROCHE. Thank you, sir.

Senator HARTKE. The next witness is Mr. J. A. Mogle.

I am informed that Mr. Mogle and Mr. Peace and Mr. Macdonald have submitted their testimony for the record, and at this point in the record their testimony will be included.

(The statements referred to follow:)

STATEMENT OF FINE AND SPECIALTY WIRE MANUFACTURERS' ASSOCIATION, BY J. A. MOGLE, CHAIRMAN, TARIFF COMMITTEE

Gentlemen, first, on behalf of the group I represent, I should like to thank you for the opportunity to testify at this hearing. Secondly, I should like to compliment you for your foresight and, especially Senator Hartke for his perserverance, in arranging this hearing on a subject so important to one of America's vital industries.

Now I should like to briefly introduce to you the Fine & Specialty Wire Manufacturers' Association. This organization is what is commonly known as a trade association with its membership composed of many, but not all, of the manufacturers of fine steel wire. However, our 18 member companies account for approximately 75% of the fine and specialty wire produced in the United States. In this membership are both large integrated steel companies and relatively small specialty companies. Attached to the written version of this presentation is a list of our member companies, but unless you request it, I shall not take the time to read it now.

The manufacturing facilities of these 18 member companies are located in 16 states: Alabama, California, Colorado, Connecticut, Florida, Illinois, Indiana, Kentucky, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, and Texas.

Wire is produced from hot rolled wire rods by a series of cold reduction processes on so-called wiredrawing machines. The purpose is to reduce the size of this steel filament to a specified diameter, improve its surface condition, and using combinations of chemical analyses of the steel with various wiredrawing practices, to create mechanical and physical properties which are unique in fine wire as a steel form. Most of our members buy the hot rolled rods from the steel mills.

The term "fine wire" refers to the diameter or size of steel wire and is generally accepted to include wires smaller than 1/16" (.0625") in diameter. The term "specialty wire" applies more to the end use of the wire and is meant to include wires manufacturer for specific and limited applications. Specialty wires are normally, but not necessarily, fine wires as well. Just a few of these very special steel products are:

Bobby Pine Wire	Rivet Wire
Box Binding Wire	Rope Wire
Cotter Pin Wire	Spring Wire
Hose Reinforcing Wire	Tire Bead Wire
Mattress Wire	Prestressed Concrete Wire
Preformed Staple Wire	Welding Wire

Practically every appliance or machine containing movable parts uses specialty wire, round or flat, for springs, fasteners, or some other important component. Such steel wire is also vital for military uses such as communications equipment, vehicles, rifles, aircraft and missiles.

Although the domestic market for fine and specialty wires has increased very substantially since 1956, the largest share of this growth has been supplied by imported wire and actual domestic production of all drawn steel wire has declined during this period. Imports have increased nearly 400% in the same period. Several circumstances explain this paradox. Wage rates in foreign countries are lower than in the United States. Tariff duties on wire (8½% generally) coming into the United States are the lowest we know of anywhere in the world. Foreign production facilities were greatly modernized following World War II largely with assistance from the United States. Continued modernization of these facilities is possible because of more favorable tax schedules in many foreign countries than in the United States. Again, in several other industrial nations, premiums or rebates in one form or another are paid by the government to manufacturers who export their products. This is, of course, a great help to the balance of payments of these nations.

In other words, many factors have contributed to the tremendous growth of imported fine and specialty wires, but basically they are all related to the inherent characteristic of these wires which require an extremely high labor content in contrast with other steel products. Naturally, products with high labor content sell at relatively higher prices than low labor content products. The combination of the opportunity for foreign producers to employ more man-hours of their low priced labor and at the same time to help their nation to a greater share of United States dollars in foreign trade, certainly makes fine and specialty wires a favorite target for shipment to the American market. You might be interested to know that the production of hot rolled steel wire rods, the raw material from which fine wires are made, requires according to one source 10 to 12 man-hours per ton. In contrast, a survey by our Association disclosed that the average was 24 man-hours for fine and specialty wires. A very special item such as 0.006" coated rope wire, which is used in aircraft control cables, has a labor content of 131 man-hours per ton.

Thus, the very nature of fine and specialty wire makes it especially susceptible to the threat of imports. Wire mills have been closed in this country because of the loss of business to imports. Nearly every one of our members has had to drop specific products from his sales list because he cannot compete with foreign wire which is obviously "dumped" right in his backyard. Most of our members have data in their files indicating that wire is being "dumped"—that is, sold at a lower price in the United States than in the home country of the producer. However, present anti-dumping regulations are so complex that we are unable to take any action and must just try to live with this admittedly unfair competition. The increasingly nationalistic feeling in other countries has eroded our once active export business in fine wires and added to the seeming lack of concern here in Washington about the import problem has dealt us a hard hand of self preservaton. Today's hearing is one of the most encouraging things we have seen in a long while and our Association and each of its individual members is most appreciative of the interest you gentlemen are showing in our predicament.

It is my understanding that it is not your intent to generate any specific legislation from this hearing but rather to investigate the economic well being of the steel industry as related to imports. Further, I believe the results of this investigation are to be available when Congress considers the Trade Expansion Act in 1967. I would assume also that information from this hearing will be available when consideration is given to such pending bills as H.R. 9131, S. 2022, H.R. 8501, and others.

So, I now would like to present the principal point our association feels should be stressed in *all future legislation* which is aimed at correcting the unfair advantage imports have over many domestically produced products. Items such as our fine and specialty wire being high in labor content and thus relatively high value items, are much more subject to foreign competition. Therefore, and here is my main point, *any restrictive legislation on imports should be based on value limitations rather than the commonly used tonnage basis.* A limitation on the tonnage of wire which could be shipped into the United States would just naturally force the foreign producer to concentrate on the higher priced items, which are the fine and specialty wires. By doing this he could increase his sales and his employment but still stay within a limitation based on *tonnage*. This would then result in less man-hours for American labor and a greater outflow of dollars. An even more unfortunate situation would certainly follow if, for instance, the tonnage limitations were made on a very broad basis by grouping all wire together with hot rolled wire rods—or even worse, just a common term "all steel". I am sure you can easily visualize the approach a foreign producer would quickly take. Rather than ship the hot rolled wire rods which he had been shipping in large tonnages at prices of $100 to $130 per ton, he would gladly concentrate his efforts on fine wire items he could sell at $280 to $1,800 per ton. He would, I am sure, be quite willing to install new equipment to produce items he was not already making.

It could well be a crippling blow to America's fine and specialty wire industry which is a vital part of this nation's industrial and defensive might.

So, once again, gentlemen, I implore you to keep this distinction in mind. Limitations on the imports of high labor content items such as fine and specialty steel wire MUST be based on dollar value rather than tonnage.

Thank you for your attention. I should be happy to attempt to answer questions you might have.

FINE AND SPECIALTY WIRE MANUFACTURERS' ASSOCIATION'S MEMBERSHIP LIST

Armco Steel Corp., Steel Division,
7000 Roberts,
Kansas City, Mo., 64125.
Atlantic Wire Co.,
Branford, Conn., 06406.
Chicago Steel & Wire Co.,
10257 Torrence Avenue,
Chicago, Ill., 60617.
The Colorado Fuel & Iron Corp.,
640 South Broad Street,
Trenton, N.J., 08611.
Continental Steel Corp.,
Post Office Box 744,
Kokomo, Ind., 46901.

Enterprise Wire Co.,
2842 Vermont Street,
Blue Island, Ill., 60406.
Indiana Steel & Wire Co., Inc.,
Muncie, Ind., 47305.
Johnson Steel & Wire Co., Inc.
53 Wiser Avenue,
Worcester, Mass., 01601.
Keystone Steel & Wire Co.,
Peoria, Ill., 61607.
Mid-States Steel & Wire Co.,
Crawfordsville, Ind., 47933.
National-Standard Co.
Niles, Mich., 49120.
New England High Carbon Wire Corp.,
Millbury, Mass., 01527.
Pittsburgh Steel Co.,
Grant Building,
Post Office Box 118,
Pittsburgh, Pa., 15230.
Seneca Wire & Manufacturing Co.,
Fostria, Ohio, 44830.
Thompson Wire Co.,
115 Stafford Street,
Worcester, Mass., 01603.
Washburn Wire Co.,
New York Division,
118th Street & Harlem River,
New York, N.Y., 10035. Phillipsdale Division,
Phillipsdale (Rumford 16) R.I.
Wickwire Bros., Inc.,
Cortland, N.Y., 13046.
Wilson Steel & Wire Co.,
4840 South Western Avenue,
Chicago, Ill., 60609.
General Counsel's Office,
Lee, Toomey & Kent, Ring Building,
1200 18th Street, NW.,
Washington, D.C., 20036.
Secretary's Office,
Room 210,
839 Seventeenth Street, NW.,
Washington, D.C., 20006.

STATEMENT OF W. D. PEACE, VICE PRESIDENT, NATIONAL STANDARD CO., NILES, MICH.

The National-Standard Company is a producer of special metal products and machinery with approximately 40% of its production in carbon steel fine and specialty wires. We are somewhat unique from the other wire producers in that we have factories at fifteen different locations here, eight of which produce fine and specialty wires, as well as nine plants outside the United States. Several of these foreign plants have been in operation for over forty years. Our purpose in locating plants abroad has been two-fold. First, and most obvious, is to supply those markets in which we have located, with products we are proficient in and capable of manufacturing. Secondly, by participating throughout the world in our product lines, our research and development is greatly enhanced, not only because of the larger volume of business, but also due to the variation and peculiar requirements arising in different markets.

For the past six years, the National-Standard Company has increased the rate of its modernization program throughout the United States, which includes the construction of several brand new plants. In fact, the investment in this modernization program in the past six years exceeds what the total net worth of the company was just six years ago. We are all familiar with the strides the steel industry has taken in recent years to modernize, for which they are to be commended. A large part of this modernization has been accomplished in the basic steel processes, with some indications of late showing this work being carried into the semi-finished areas.

National-Standard, and I believe the rest of the industry, is perfectly willing and even eager to compete on an equal basis with foreign fine wire producers—with particular emphasis placed upon the word equal. I am referring, among other things, to such practices as having several prices on the same product, depending on where it is to be delivered, and also what we term "reverse tariffs", or outright foreign government subsidies to their industries concerning exports. In the appendix to this brief, I have included an explanation of my term "reverse tariffs". If we have time at the end of my testimony, and the committee so desires, I shall be happy to go into more detail. By operating plants in various countries we are familiar with these practices which, incidentally, cannot be touched by our present inadequate anti-dumping laws.

We are most anxious to serve American markets which are being eroded for the U.S. wire producers due to the many inequities which now exist. We do, and have, supported the American steel industry by purchasing most of our raw materials here, one exception being a quality of steel that is not produced domestically, making it necessary to import. This latter, by the way, is at a substantially higher price. We definitely want to supply our American market as a respected, reliable close-by source. We think this is vital to the American economy as well as the defense of our country in times of stress. If it proves necessary to place quotas on various steel products, National-Standard Company strongly feels that this must be done on the dollar value, not tonnage basis. In fact, steel wire itself should have a number of categories, using as one criterion the labor content. Hot rolled rod should be in a separate category from that of wire.

If steel rods receive protection from quotas or tariffs or both, wire must also receive that protection, or else companies such as ours who are not integrated steel manufacturers, would be even more at the mercy of foreign imports of wire. By the same token, those products which are primarily composed of wire, such as springs, wire mesh and wire rope, must also receive a similar protection.

There is one possible danger we can see, should rods come under the protection of a quota or tariff, and that is the possibility of an increase in the price of our raw material. To date we have had complete access to importing foreign rods, yet we have chosen to remain, for the most part, with our traditional American suppliers. However, under a quota, the possibility would exist of a rod price increase.

At National-Standard we have been striving to reduce our conversion costs, the goal being to increase our business and markets, thereby protecting American jobs. Our employees have been kept fully imformed of this and have contributed toward its success, so that, to date, through our modernization, we have succeeded in this goal of cost and price reduction, primarily using American produced steel. Therefore, we cannot afford an increase in costs of our raw materials, as this could abort all we have done. If domestic steel rod prices are protected and should increase, without a similar protection for wire, we would be placed in a most uncompetitive situation, because then we would be unable to purchase foreign rod due to these quotas. In other words, we also would need quotas or tariffs on wire and finished wire products in order to compete with foreign wire.

We are very concerned about inflation. However, we believe that if we have more volume, we can increase our capacity and our costs will go down. We also believe that by the continuation of our policy of helping our customers reduce their costs, by giving them superior material, this too should offset the danger of inflation.

May I state, in closing, we definitely believe there should be quotas or sufficient tariffs, but they must be applied properly on an equitable basis to all segments of the steel industry, including wire.

Appendix to Statement of W. D. Peace

REVERSE TARIFFS

The term "reverse tariffs" which we have developed, refers to tax practices by various governments in the form of turnover or sales tax, or refunds, both of which, in effect, support, subsidize, and encourage exports toward the goal of favorable balance of payments.

Turnover tax

The Common Market countries are following a policy of reducing their corporate taxes and replacing them, to get the needed amount of tax dollars from industry, with a sales or turnover tax. The net effect of this is that when a firm in the Common Market exports to another country in the world, it doesn't have to pay a sales or turnover tax in the country of manufacture. If the receiving or importing country has the same basic laws for taxation, they impose this turnover tax on both importers and domestic producers, forcing the foreigners, along with the local people, to pay this sales or turnover tax. This seems reasonably fair.

However, if the Common Market country manufacturing the goods is shipping to a country having a different tax system, such as the United States, the net effect is that the exporter has a reduction in his taxes in the amount of the turnover or sales tax in his home country. This means that we in the United States are receiving goods on which the exporter has not paid his fair share of taxes in any country, unless, of course, we have a high tariff.

The following are several examples:

1. England gives 3% of the selling price to any exporter of wire. The coporate taxes in England have been reduced to 40%. To make up this loss in total taxes, however, they have imposed a withholding tax on dividends paid. Actually, exporters in England have, in effect, a 3% reduction in selling price when exporting only.

2. Belgium operates with a low corporate tax of any 35%, the rest of the tax being 6% on turnover or sales. If they export to another country, they do not pay the 6% turnover tax. However, if a firm ships into Belgium, they pay this 6% Belgium tax on top of whatever duty is applicable.

3. France has a 25% Total Value Added tax and again the same policy applies. On exports by a French concern, one can actually reduce the price of the goods 20% and end up by making the same profit as it does on domestic business. If any country ships into France, the 25% T.V.A. tax is applied on top of the duty which is applicable.

Summary on turnover tax

In shipping foreign materials into any of these countries, one has to not only pay the import duty, which, in the case of steel wire, is higher than the American import duty, but one has also to pay on top of this, the same taxes as the local or domestic producer pays as far as turnover is concerned. On the other hand, any of these countries shipping into the United States, has only to pay our 8½% duty, and does not pay any sales or turnover tax, that he normally would pay if he shipped domestically.

Employee tax

England has just come up with a new stunt, which would defeat all anti-dumping laws. Employers in the manufacturing industry are to pay the British Government $3.50 per employee per week. However, the government refunds to each employer $4.20 per employee per week which, in effect, gives the manufacturer a $.70 per employee per week subsidy. This appears to be a very clever method of getting around anti-dumping laws.

Additional tax refunds

Going to India, our local domestic price on wire is exceptionally high due to the Indian taxes. However, by refunds of these various taxes, it is possible to export wire from India and be competitive with other nations.

STATEMENT OF THE HANNA FURNACE CORP. BEFORE THE SENATE FINANCE SUBCOMMITTEE

I am A. J. Macdonald from Buffalo, New York, and I am president of The Hanna Furnace Corporation, for which I speak today.

The merchant pig iron industry is the oldest organized heavy manufacturing industry in the country. It goes back to colonial days when small stone furnaces produced iron for the pots and pans of the early households. The industry grew along with the country as was required by the very basic character of its product. Many blast furnaces were built and operated over the Eastern half of the country. As an example, at one time there were eleven furnaces operating in the Northern Peninsula of Michigan; today there are none. As technology improved, as better raw materials were discovered, and better means of transportation devised, the industry became located in relatively few locations which were dictated by the economics of assembly of raw materials and access to markets.

The merchant iron industry supplies pig iron to the foundries and non-integrated steel plants of the country; that is, those steel plants that have no iron ore reserves or iron-making furnaces. The use of pig iron in these operations varies from nothing in some cases where they melt all scrap to all pig iron in others, depending on melting technique and equipment and product they make. The amount of pig iron used in any given plant will also vary according to product mix and the price of scrap, but pig iron is the fundamental ingredient in the manufacturing processes of the vast majority of foundries and steel works, and will be the fundamental ingredient as far down the years as we can see now.

Domestic production and shipment of merchant iron has dropped in the past five years, due to imports.

Following are listed domestic shipments and imports, and percent imports are of domestic shipments:

Year	Domestic shipments (net tons)	Imports (net tons)	Percent imports
1956	7,893,335	326,701	4.1
1957	6,567,673	225,386	3.4
1958	4,079,255	209,708	5.1
1959	5,398,006	701,775	13.0
1960	4,005,074	330,846	8.2
1961	3,887,081	377,180	9.7
1962	3,206,493	498,020	15.5
1963	3,182,117	645,338	20.3
1964	3,706,729	736,480	19.9
1965	3,892,815	882,090	23.0

For the first two months of 1966, imports were 91,608 N. T., a gain of 62% over the first two months of last year.

Following is a comparison of imports to pig iron exports to show the trend in the balance of trade in this commodity:

Year	Exports	Percent of imports
1956	267,175	81.8
1957	879,654	390.0
1958	103,115	49.2
1959	10,437	1.5
1960	111,770	33.6
1961	426,683	113.1
1962	154,380	31.0
1963	70,154	10.9
1964	176,056	23.9
1965	28,180	3.2

Translating these tonnage figures into dollars, we have had a trade deficit in pig iron in the last six years of $123,419,000, and in 1965, alone, it was $36,802,000, and the trend is sharply upward.

More significant still is the origin of much of the iron coming into the country lately. Previous to 1964, very little iron came in from Communist countries, but in 1964, 57,182 N. T. were shipped in from Russia and East Germany; in 1965, it was 116,477 tons; and in the first three months of 1966, it has been 65,326 tons, against none in the first three months of 1965.

Fifteen different countries have exported iron to the United States in the past few years, but none with such a dramatic and constant gain as shown by the Communist bloc.

We have endeavored to find out domestic prices of iron in the countries exporting, and in most cases it is impossible, because there are no published prices. We do have documentary evidence, however, of the price of iron in the European Common Market, and it is essentially the same as the domestic price in the United States from domestic furnaces. In isolated cases where I have been able to find out the price of iron in the exporting country, it has been substantially higher than United States' domestic prices. The iron imported from the free countries into the United States usually sells for from $7.00 to $15.00 below our domestic price, while the tonnage coming in from the Communist bloc countries comes in at about $25.00 per ton under our domestic price. Furthermore, the domestic price of our merchant pig iron is today lower than it was in 1957.

The tariff on imported iron from the free world is 20 cents per ton, or about .3% of value, and from Communist countries, is $1.125, or about 1.8% of value. The tariff on iron going into the Common Market is $7.00 per ton, or about 11% of value. The Common Market producers also have a discount clause in their sales contracts that very effectively precludes any importing of pig iron.

The 882,090 tons of iron imported into this country in 1965 would represent about 9¼ million manhours if manufactured in the United States, with wages of about $43,000,000. This is the equivalent of steady jobs for 4,435 men. This includes the mining of the raw materials, the making of coke, and the manufacture of the iron at the furnaces, but does not include any transportation, which would also be a significant figure.

In 1956, merchant furnaces in this country had a capacity of over 8,000,000 tons annually; today the capacity is barely 5,000,000 tons. This capacity has been lost, due to nine merchant blast furnaces being scrapped, and I am afraid it will continue to go down if steps are not taken to halt the flow of pig iron imports. United States Bureau of Commerce forecasts predict that, in 1970, ferrous casting production will be 20,000,000 tons, and estimate that will require 5,000,000 of pig iron. In 1975, ferrous castings production will be 22,700,000 tons and should require 5,500,000 tons of pig iron. Under present circumstances of imports, there is no incentive for the merchant iron industry to increase capacity to meet the growth in the ferrous casting industry. On the contrary, we believe there will be further mortalities amongst merchant iron producers.

The following statement was issued by the Buffalo Area Chamber of Commerce:

"The Buffalo Area Chamber of Commerce has a membership of more than 4,000 industrial, business and professional leaders in Western New York. We definitely are opposed to foreign countries' practice of dumping and/or delivering goods, specifically pig iron, to American docks at prices far below those which American companies, under the free enterprise system, can produce these commodities.

"We believe that the import of pig iron from the foreign countries at prices from $7 to $25 a ton less than it is sold in the countries of origin, are endangering continuance of these basic industries in the Buffalo area. It also will seriously imperil production facilities which might be a vital factor in face of a national emergency.

"In the Niagara Frontier's huge industrial complex, there are about 1,200 men employed in the production of merchant pig iron; under no circumstances can this area afford to have these men made jobless.

"We suggest that a thorough investigation and study be made to remedy this serious and detrimental situation."

I submit that it is not in the national interest to let this vital, basic industry deteriorate any further, from the standpoint of the national welfare in times of emergency, from the standpoint of the balance of payments, and from the standpoint of job security for our employees.

Merchant pig iron shipments 1965

[Net tons]

	New England	Middle Atlantic	East North Central	All others	Export	Total
Total shipments	135,900	703,100	1,104,900	924,600	24,300	3,892,800
Less hot metal to mold plants	0	210,000	731,000	0	0	941,000
Total merchant iron	135,900	493,100	1,373,900	924,600	24,300	2,951,800
Import custom, districts:						
Rhode Island	6,196					
New York		416				
Philadelphia		169,158				
Vermont	3,397					
St. Lawrence		612				
Buffalo		136				
Wisconsin			9,510			
Michigan			327,139			
Chicago			48,273			
Ohio			86,187			
Others				231,066		
Total imports	9,593	170,322	471,109	231,066	0	882,090
Total shipments pig iron (excluding hot metal)	145,493	663,422	1,845,009	1,155,666	24,300	3,833,890
Percent of imports	6.6	25.7	25.5	20.0	0	23.0

Source: A.I.S.I. Imports, A.I.S.I. 14-I.

Pig iron imports

[Net tons]

From	1965	1964	1963	1962
Canada	485,085	395,205	387,453	384,249
Brazil	73,537	67,901		
Australia	800	352	22,996	4,216
South Africa	12,868	68,620	76,697	5,032
Sweden	11,203	9,969	10,147	1,416
West Germany	64,220	51,411	77,176	56,341
Belgium-Luxembourg	2,065			
Italy	68			
Finland	66,421	73,004	12,123	681
East Germany	82,289	57,182		
Spain and Portugal	42,085	12,735	45,161	42,416
U.S.S.R	34,188			
Netherlands			10,259	
Norway	666	101	3,318	3,584
United Kingdom	6,595		8	94
Total	882,090	736,480	645,338	498,020

	Total net tons		*Total net tons*
1961	377,180	1957	225,386
1960	330,847	1956	326,701
1959	701,775	1955	283,558
1958	209,708		

Source: A.I.S.I Imports.

Merchant pig iron shipments 1964

[Net tons]

	New England	Middle Atlantic	East North Central	All others	Export	Total
Total shipments	131,000	667,900	1,888,000	831,200	169,600	3,687,800
Less hot metal to mold plants	0	160,000	756,000	0	0	916,000
Total merchant iron	131,000	507,900	1,132,000	831,200	169,600	2,771,800
Import custom, districts:						
Rhode Island	7,225					
Philadelphia		137,609				
Buffalo		742				
Wisconsin			3,733			
Michigan			240,656			
Chicago			49,511			
Ohio			55,791			
Others				241,183		
Total imports	7,255	138,351	349,691	241,183	0	736,480
Total shipments pig iron (excluding hot metal)	138,355	646,251	1,481,691	1,072,383	169,600	3,508,280
Percent of imports	5.2	1.4	23.6	22.5	0	21.0

Source: A.I.S.I. imports, A.I.S.I. 14-I.

U.S. iron and steel casting production, shipments of merchant pig iron and imported pig iron

[Thousands of short tons]

Year	Total merchant pig iron	Total imported pig iron	Total pig iron	Total iron and steel castings	Percent of pig iron to iron and steel castings
1955	7,553	284	7,837	17,473	44.8
1956	7,893	328	8,221	16,744	49.1
1957	6,568	225	6,793	15,294	44.4
1958	4,079	210	4,289	12,139	35.3
1959	5,398	702	6,100	14,637	41.7
1960	4,005	331	4,336	13,807	31.4
1961	3,887	377	4,264	12,764	33.4
1962	3,206	498	3,704	13,844	26.8
1963	3,182	645	3,827	15,201	25.2
1964	3,707	736	4,443	17,152	25.9
1965	3,892	882	4,774	[1] 19,000	25.1
1970			[1] 5,000	[2] 20,000	[1] 25.0
1975			[1] 5,500	[2] 22,700	[1] 25.0

[1] Estimated.
[2] Estimated U.S. Department of Commerce BDSA.
Source: AISI imports; AISI 108; U.S. Bureau of Mines; U.S. Bureau of Census.

Comparative prices of domestic pig iron and foreign (imported) irons being sold in the U.S. eastern area

	Domestic price	Foreign price	Price differential	Country of source
Paterson, N.J	$70.03	$63.00	$7.03	Spain.
East Orange, N.J	70.53	57.00	13.53	Do.
Cranston, R.I	74.38	62.38	12.00	Do.
Battle Creek, Mich	72.55	63.55	9.00	Scandinavia.
Detroit, Mich	67.81	61.00	6.81	Do.
Charlotte, Mich	72.55	63.55	9.00	Do.
Camden, N.J	70.37	55.00	15.37	Spain.
Bridgeton, N.J	69.06	55.00	14.06	Do.
Quakertown, Pa	65.61	55.00	10.61	Do.
Chester, Pa	65.18	47.00	18.18	Do.
Homestead, Pa	68.18	56.00	12.18	Scandinavia.
Hyde Park, Pa	67.54	56.00	11.54	Do.
Elmira, N.Y	72.50	65.50	7.00	Australia.
Hallstead, Pa	77.25	64.75	12.52	Scandinavia.
Syracuse, N.Y	71.65	64.90	6.75	Australia.
Syracuse, N.Y	74.65	66.90	7.75	Scandinavia.
Utica, N.Y	68.78	64.28	4.50	Spain.
Watertown, N.Y	78.59	67.75	10.84	Scandinavia.
Tallmadge, Ohio	67.15	60.75	6.40	Do.
Barberton, Ohio	67.03	60.75	6.28	Do.

Senator HARTKE. The next witness will be Mr. Eugene L. Stewart of the Trade Relations Council.

STATEMENT OF EUGENE L. STEWART, GENERAL COUNSEL, TRADE RELATIONS COUNCIL OF THE UNITED STATES

Mr. STEWART. Good afternoon, Mr. Chairman.

Mr. Chairman, I am Eugene Stewart, general counsel of the Trade Relations Council of the United States. This is an industrywide association undertaking to serve the public interest by making available to the Congress, the executive department and to industry useful compilations of data concerning the growth and foreign trade of U.S. manufacturing industries.

I am not going to read by entire statement, Mr. Chairman. I will summarize and present simply the highlights.

Senator HARTKE. That is fine. However, your entire statement will appear as though it were read. You summarize such portions as you care to.

Mr. STEWART. Thank you, Mr. Chairman.

May I say that the responsibility for the data presented by the council, of course, is solely that of the council.

We have created a data resource with the aid of members of the Economics Department of Georgetown University, in which, for most of America's manufacturing industries for the period 1958 through 1964, and 1965 for imports, we were able to correlate employment, output, wages, and foreign aid so that the trends in each can be compared.

The particular value of our analysis is that we can rate or rank each industry in relation to the position which it holds in comparison with all other industry.

Therefore, today, for example, we are able to inform this committee of the relative position of the basic steel industry in the foreign trade of the United States in comparison with other industries.

The testimony heretofore in this hearing has been solely concerned with the situation of steel considered alone.

Now, we would like to place this into context for you and tell you how steel rates in comparison with other industries.

As you know, Senator Hartke, the Government properly has devoted a great deal of attention to attempting to control or regulate imports in other manufacturing areas. Cotton textiles is an example. It is must useful, therefore, to compare the steel industry and its key economic variables and ranking with the cotton textile industry and other similarly affected industries in order to form a judgment as to whether the steel industry is receiving the same kind and quality of effort by the executive department of the Government as other basic American industries.

If I may ask you to turn, first, to page 3 of our statement at the bottom of the page, the data and analysis of the Trade Relations Council show that the U.S. basic steel industry is highly sensitive to foreign competition, and that the absence of import regulations under the extremely low level of duties applicable to steel imports, has produced a deficit of major proportions in the Nation's balance of trade.

Now you, Senator, had occasion to refer to this drain on our balance of payments in your resolution, and I think our data corroborate most strongly your figure.

If you will look at page 5, the first column of the data entitled "3312—Blast Furnace, Steel Mill and Electrometallurgical Products," this is the basic steel industry at the four digit level of detail. If you will look at column 10, "Import c.i.f.," you will notice, and these figures are in millions of dollars, that in 1958 imports on a c.i.f. basis were $232.9 million. Exports that year were $494.4 million for a favorable balance of trade of about $261.5 million.

Now, look at 1965. Imports were $1,430 million on a c.i.f. basis. Exports show not available. That is the meaning of our symbol 0.0 for exports, because the particular correlation required to put exports on an industrial classification basis has not been worked out for 1965. But we know that exports dropped 18 percent. So that exports in 1965 were about $473 million for a deficit in 1965 of $957.7 million.

So the net change that occurred between 1958 from a surplus of $262 million to a deficit in 1965 of $958 million, the net change affecting our balance of trade, was $1.2 billion, which is precisely the figure which you used in your resolution.

If I may ask you to look at page 7, here we take from our data bank the table 2, a calculation of the rate of growth in the domestic shipments, imports, and exports and in the domestic market of the basic steel industry.

You will notice that from 1958 to 1963 under domestic shipments, shipments grew 41.8 percent.

Now, move over to the change, 1958 to 1963 for imports, and you will find that they rose, imports rose, 228 percent, 227.6. Then look for imports under 1964–65. Well, they rose another 107 percent.

Now, exports from 1958 to 1963, as you can see, declined by 18.5 percent.

The tables which follow on the remaining pages up until page number 12 present various measures of growth in domestic and foreign trade. I will not detain you with them now.

But if you will look at page 12 of my statement, here we are comparing the characteristic economic variables or indicators of economic activity for basic steel, the first line there, item 3312, which is the code number for basic steel, with America's basic manufacturing industries which are the numbers 20 through 39. At the bottom of the table we have a few five-digit catgories of steel products.

Now, let me direct your attention most importantly to the column headed—it is the third one from the left—"Gross Earnings-Shipments Ratio." Through our method of analysis, we are able to calculate for each industry the gross earnings, and then we compare that to the value of shipments in order to learn how many cents out of every dollar of sales before taxes are available to pay depreciation, capital investment, taxes, and the like.

The value of our analysis is that we can compare the performance earningswise of any industry with all other industries.

Now, note the ratio for steel in 1964 was 18.3 percent. That means 18 cents out of the dollar before taxes were available to pay all of these indirect expenses and taxes.

Now, if you will run your eye down that column below the 18.3 percent, you will find that only in one case, industry 22, which is textile mill products, was there a lower gross earnings to shipment ratio.

The earnings rate of the basic steel industry is lower than that of all other basic manufacturing industries in America, except cotton textiles.

Now, if you would go over to the column on the right, the final column, you will notice for industry 3312 the average ad valorem equivalent of import duties for the latest year, this turns out to be usually 1963, for steel was 6.4 percent.

Now, go down to industry 22, cotton, and this is textile mill products, that had a comparable earnings ratio to steel, and you find that they enjoy an average equivalent 16.7 percent rate of duty.

Immediately below it is apparel. Apparel items are also subject to regulation through the long-term cotton textile arrangement, and properly so regulated, but apparel, apart from that quota system, has an average ad valorem equivalent level of duties of 30.6 percent.

Here we have a situation where basic steel, with an earnings performance below that of apparel and equal to that of textiles, has a level of duties far below those two industries, yet they are the recipients of a proper amount of considerable attention to regulate the rate of increase in imports, and no attention is being devoted to that in the case of steel.

Now, if you will turn finally to page 15, Senator, in our data bank, we have the complete data for 183 of America's manufacturing industries at the four digit level of detail.

Now, we are able to take the important economic characteristics and to rank each industry's position in the deck of 183.

Senator HARTKE. What page are you on?

Mr. STEWART. I am not on any page. I am going to refer in a moment to the table on page 15.

Senator HARTKE. I thought you said 18.

Mr. STEWART. I am giving you some background.

Senator HARTKE. I was going to say I stopped at 17.

Mr. STEWART. I am sorry if I misspoke myself.

Senator HARTKE. Go ahead.

Mr. STEWART. Consider this, consider the level of duties. If you take 183 industries and you rank them from 1 to 183, with the number one industry, that one with the highest level of duties and the 183d, the one with the lowest level, that is the manner in which we rank all of these industries, including steel.

Now, look at this table for a moment, because it is very significant. The first economic characteristic, production worker to total payroll is the ratio of blue-collar workers. The higher an industry's ranking in this characteristic, the greater the number of factory workers in relation to its total employment, and these are the labor-intensive industries.

Now, basic steel, out of 183 industries, ranked 30th. These other industries that I have selected for comparison are each industries with very serious import problems.

You personally are familiar with what is being done for cotton fabrics and apparel. Senator Muskie is leading a very considerable effort, assisted by many Senators, on footwear, and we know from our own experience with transistor radios that the Japanese have virtually taken over that market.

Now, basic steel has a higher blue-collar ratio than apparel, industry 2311 in the center, or than radio and TV receiving sets. It is more labor-intensive than those industries, and is in the general zone of ranking with cotton and footwear.

Now, look at the percent of import change. Basic steel stood fifth, fifth highest of all of the Nation's industries in the rate of increase of imports from 1964 to 1965, far above the ranking of those other industries. The size of the trade balance, an industry that ranks down toward the end, 183, is an industry that has a very large deficit. Steel at 177 had a larger deficit and, therefore, a lower ranking than any of these other industries except apparel, which was immediately below, and radio which was immediately above it.

Let us go down to gross earnings. Steel's ranking so far as the ratio of gross earnings to shipments was lower than that of all of the other industries except cotton and broad woven fabrics.

Now, let us look at the capital expenditures per worker. Much was said here yesterday raising a question as to whether steel is productive. The basic steel industry among all of the Nation's industries ranks 22d or very high in the capital expenditures per worker each year to supply their workers with machines and automated devices for efficient production. It ranks far above the other industries which were not nearly so capital-intensive.

Now, with this situation of a high labor-intensive factor as measured by blue collar, very low earnings as measured by gross earnings to value of shipments, we find that the basic steel industry's level of duties ranks it in the 135th position, far below all of these other import-sensitive industries.

Now, the Japanese have voluntarily imposed export controls on radios. The Government has imposed import controls on cotton and apparel. A very considerable effort is being devoted to the subject of footwear. Nothing, with the exception of your effort, Senator, is being applied in behalf of basic steel.

I summarize here, and I would appreciate it if you would follow me through the paragraphs of this summary, the extremely vulnerable position of basic steel to import injury is shown by the above table:

1. Only cotton broad-woven fabrics and leather footwear rank higher in the blue collar ratio than basic steel; significantly, steel has a higher labor-intensiveness ranking than apparel or radio and TV receiving set manufacture.
2. Steel ranks highest of any of these exceptionally import-sensitive industries in the percent change of imports, 1964–65.
3. Steel ranks much below cotton broad-woven fabrics and leather footwear by the magnitude of its trade deficit for the benchmark period, the average of 1961–63, and for 1964; its trade deficit ranks it alongside of apparel and radio and TV sets where imports from the low-wage countries of Asia have seriously disrupted the American market.
4. Steel ranks lowest of all the industries in the negative percent change in its trade balance, meaning that it has slipped the worst of any of these classic examples of import-disrupted, labor-intensive industries.
5. Steel ranks lower in its gross earnings ratio than any of the labor-intensive, import-sensitive industries except cotton broad woven fabrics, and its ranking is very close to that industry's.
6. Basic steel ranks very high by the level of capital expenditures per worker, so it cannot be classed as backward or inefficient.
7. Basic steel ranks lowest of all of these industries when judged by the level of ad valorem equivalent import duties applicable to its products.

These data strongly indicate that action on behalf of the steel industry in relation to import regulation is urgent and long overdue. By this table the situation of the steel industry is clearly revealed: earnings are held at a depressed level, as serious or more serious than that of the other American's most seriously affected import-sentitive industries; it is a labor intensive and thus as vulnerable to imports from low-wage countries as any of these industries; the rate of increase of imports is more rapid in the case of steel than the other industries; and it has the lowest level of duties.

CONCLUSION

Under a Government committed to the equal protection of the laws, the quality of effort which has properly been devoted on behalf of the cotton textile industry because of the rate of increase in imports of cotton textiles and apparel, should likewise be applied to a solution of the steel import problem.

May I say, Senator, that when imports of cotton textiles reached 6 percent of the domestic market, the Government, under the leadership of President Kennedy, adopted a seven-point program for the achievement of control over textile imports in which the State Department, without waiting for any further facts, entered into negotiations with foreign countries for an agreement under which imports could be held to a predetermined rate of increase. There was no shutting off of imports. They took a base period and allowed an increase of 5 percent per year, and this restored the health of the cotton textile industry.

In the case of steel, as you know—and as you heard many witnesses say yesterday—the penetration of the domestic market by imports is now above a level of 10 percent, far beyond the level of penetration which triggered action in the case of cotton textiles.

If I may say so, sir, your commendable efforts, as witnessed by your resolution and these hearings in calling for a study, are praiseworthy. But if steel is to be given treatment equal to that of textiles, no further study is needed. The facts are in. You have made the record that established the facts.

What is needed now is action, and prompt action, before the encroachments upon the domestic market by imports become so solidified that there will be no ability to achieve control without the consideration of a rollback that would be disruptive.

Such action—that is, the achievement of control, and the type of regulation that was used in the case of textiles—is also of obvious importance in the area of the Nation's continuing balance-of-payments deficit. The current trends in exports and imports reemphasize the importance of governmental action to achieve some control over rapidly increasing imports in order to protect our trade balance as an an important element in the total balance-of-payments picture.

Mr. Chairman, we trust that our data will help illuminate and define the gravity of the steel import problem. Indeed, we hope that our testimony will prove to be of assistance to the committee in forming a resolve to report Senate Resolution 149 or to take other equally appropriate action leading to prompt measures to exert reasonable control over the massive and rapid increases which are taking place in the importation of basic steel products.

Thank you, Senator, very much.

(The prepared statement of Mr. Stewart follows:)

STATEMENT OF EUGENE L. STEWART, ESQ., GENERAL COUNSEL, TRADE RELATIONS COUNCIL OF THE UNITED STATES, INC.

INTRODUCTION

Mr. Chairman and members of the Committee, I am Eugene L. Stewart, General Counsel of the Trade Relations Council of the United States. This is an industry-wide trade association undertaking to serve the public interest by making available to the Congress, the Executive Department of the Government, and to industry useful compilations of data concerning the growth and foreign trade of U.S. manufacturing industries.

To carry out this mission the Trade Relations Council in conjunction with members of the Economic Department of Georgtown University, has created a computerized data resource containing U.S. Government statistics on employment, output, wages, cost of materials, capital expenditures, and the foreign trade of U.S. manufacturing industries for the period 1958 through 1964, and imports for the year 1965. These data have been organized in a particular way, which makes them particularly useful for analysis in the consideration of the impact of foreign trade on domestic employment and output.

The foreign trade data have been correlated in the product categories defining employment and output by U.S. industries. Through this correlation it is possible to compare the trends in domestic employment and output with those of imports and exports, and the balance of trade in the products of each of the manufacturing industries in the data bank.

Because the U.S. Government statistical classification systems for the employment and output of manufacturing industries differ from the systems used for imports and for exports, it is not possible to achieve a correlation of the type described for all U.S. manufacturing industries. Nevertheless, it has been possible to achieve a workable correlation for the majority of U.S. manufacturing industries.

In the TRC data resource, industry data are presented in accordance with the Standard Industrial Classification, at the 2-digit level, the 4-digit level, and the 5-digit level of detail. The principal industry classifications used are those at the 4-digit Standard Industrial Classification level.

Of the total of 425 4-digit industries, complete data for 274 industries are included in the Trade Relation Council's data bank. In 1964 these 274 4-digit industries accounted for 67% of the total employment in U.S. manufacturing establishment. The data for these industries are summed to the 2-digit level, and 18 of the Nation's 20 2-digit manufacturing industries are represented.

In addition, 219 5-digit Standard Industrial Classification product codes are included in the Council's data program.

In order to achieve the correlation of domestic employment and output data with import and export data, it has been necessary in the case of some industries to combine two or more 4-digit and 5-digit classifications. Thus, the Council's data bank contains information for 183 4-digit industries or groups of industries and 135 separate 5-digit product groups.

PURPOSE OF THIS TESTIMONY

Through the type of analysis made possible by its computerized data program, the Trade Relations Council is able to compare the domestic employment, output, gross earnings, and foreign trade trends of each industry in its data bank with the trends of every other industry. Thus it is possible to make relative judgments of the impact of foreign trade on a particular industry in contrast with the experience of all other industries.

Accordingly, the Trade Relations Council is in a position to offer this Committee rather comprehensive information concerning the position of the basic steel industry in regard to trends of domestic employment, output, gross earnings, and foreign trade. The Council is also able to supply information indicative of the relative standing of the basic steel industry in the generation of growth within the domestic economy and in its foreign trade performance and the impact of that performance on the Nation's balance of payments problems.

These data are directly relevant to the considerations set forth in Senate Resolution 149 and the type of information which the study which the resolution would authorize is designated to elicit.

THE IMPACT OF FOREIGN TRADE DEVELOPMENTS ON THE U.S. STEEL INDUSTRY, AND THE NATION'S BALANCE OF PAYMENTS

The data and analysis of the Trade Relations Council show that the U.S. basic steel industry is highly sensitive to foreign competition, and that the absence of import regulation under the extremely low level of duties applicable to steel imports has produced a deficit of major proportions in the Nation's balance of trade.

Under the pressure of these rapidly increasing imports the industry's gross earnings have been held far below a representative relationship to the value of shipments in comparison with other U.S. industries. More than any other major U.S. manufacturing industry, the foreign trade position of the basic steel industry has deteriorated so rapidly and to such an extent that corrective action on the part of the Congress has become a matter of urgent necessity. These conclusions are drawn from the following data.

BASIC DATA

The basic data from the U.S. steel industry are as follows:

64-887—66——20

TABLE 1.—*Basic data for U.S. steel industry: Employment, output, and foreign trade, 1958–64, 1965*

3312 BLAST FURNACE, STEEL MILL, AND ELECTROMETALLURGY PRODUCTS, INCLUDING 3313, 3316, 3317, AND 2814

	Production worker employment (1)	Total employment (2)	Production worker payroll (3)	Total payroll (4)	Production man-hours (5)	Value of shipments (6)	Value added by manufacturer (7)	Cost of materials (8)	Capital expenditure (9)	Import, cost, insurance, and freight (10)	Export valued, mill (11)	Domestic market (12)	Duties, percent of import (13)
	Thousands	*Thousands*	*Millions*	*Millions*	*Thousands*	*Millions*	*Millions*	*Millions*	*Millions*	*Millions*	*Millions*	*Millions*	*Percent*
1958	456.1	561.0	$2,625.0	$3,472.6	842.4	$15,954.2	$6,696.7	$9,225.7	$998.6	$232.9	$494.4	$15,692.6	5.1
1959	460.8	560.4	1,877.5	3,784.3	859.7	18,164.3	7,599.1	10,565.7	716.1	650.0	332.7	18,481.6	5.6
1960	489.3	601.0	3,006.5	3,949.2	910.9	17,992.5	7,503.3	10,530.5	0	551.9	563.1	17,981.2	6.1
1961	447.5	552.5	2,898.8	3,841.4	844.0	17,008.5	7,178.4	10,025.5	856.0	491.4	431.9	17,068.0	5.5
1962	445.3	552.0	2,995.7	3,947.4	843.5	18,163.0	7,321.4	10,259.3	770.5	589.1	408.3	18,343.9	6.2
1963	451.4	550.0	3,138.0	4,048.5	871.3	22,630.1	8,127.8	10,324.8	961.8	762.8	432.4	22,960.4	6.4
1964	501.3	582.1	3,511.3	4,469.0	996.6	25,707.1	9,162.9	12,046.7	1,346.0	688.8	576.7	25,819.2	0
1965	0	0	0	0	0	0	0	0	0	1,430.7	0	0	0
1958–60	468.7	574.1	2,503.0	3,735.4	871.0	17,370.3	7,266.4	10,107.3	857.3	478.2	463.4	17,385.1	5.6
1964/—	6.9	1.4	40.3	19.6	14.4	48.0	26.1	19.2	57.0	44.0	24.5	48.5	0.0
33122 STEEL INGOT AND SEMIFINISHED SHAPES													
1958	54.9	69.1	$318.0	$432.4	98.0	$1,846.9	$840.9	0.0	$194.1	$23.9	$14.3	$1,856.5	5.4
1959	0	0	0	0	0	2,153.9	0	0	0	63.9	4.1	2,213.7	5.7
1960	0	0	0	0	0	2,008.7	0	0	0	65.7	12.9	2,061.5	5.7
1961	0	0	0	0	0	1,978.1	0	0	0	71.4	18.1	2,031.5	5.6
1962	0	0	0	0	0	2,017.4	0	0	0	89.3	22.9	2,083.7	5.2
1963	24.4	30.3	174.4	227.3	46.9	1,982.7	499.4	$655.8	49.1	120.6	26.2	2,077.1	5.0
1964	0	0	0	0	0	2,539.8	0	0	0	147.4	64.0	2,623.2	0
1965	0	0	0	0	0	0	0	0	0	187.2	0	0	0
33123 HOT ROLLED SHEET AND STRIP TINMILL PRODUCTS, INCLUDING COMMODITY CODE 33124													
1958	218.7	270.1	$1,261.7	$1,675.4	399.9	$6,049.0	$3,211.3	0.0	$291.0	$91.1	$228.1	$5,912.1	6.9
1959	0	0	0	0	0	6,366.8	0	0	0	304.9	166.4	6,505.3	7.4
1960	0	0	0	0	0	7,030.4	0	0	0	241.5	258.1	7,013.7	7.7
1961	0	0	0	0	0	6,695.5	0	0	0	290.9	184.0	6,802.4	4.1
1962	0	0	0	0	0	7,094.0	0	0	0	227.1	190.3	7,130.7	7.0
1963	241.7	295.3	1,713.0	2,207.2	463.2	7,526.9	4,393.0	$4,945.9	574.7	304.3	200.2	7,631.0	6.8
1964	0	0	0	0	0	8,703.5	0	0	0	364.3	269.7	8,798.1	0
1965	0	0	0	0	0	0	0	0	0	662.4	0	0	0

33125 STEEL WIRE MADE IN BLAST FURNACES AND STEEL MILLS, INCLUDING COMMODITY CODE 33155

1958	18.7	22.8	$110.2	$144.4	36.5	$564.7	$247.4	$143.7	$18.2	$20.9	$8.4	$577.2	7.2
1959	0	0	0	0	0	667.2	0	0	0	42.9	6.7	702.4	7.7
1960	0	0	0	0	0	593.1	0	0	0	41.6	6.8	627.9	7.9
1961	0	0	0	0	0	575.4	0	0	0	38.1	6.7	606.7	8.0
1962	0	0	0	0	0	601.2	0	0	0	54.0	8.9	646.4	8.5
1963	16.5	20.5	107.8	142.2	32.8	608.9	247.3	212.5	12.9	60.2	12.2	655.9	7.8
1964	0	0	0	0	0	675.5	0	0	0	85.2	17.9	742.8	0
1965	0	0	0	0	0	0	0	0	0	98.9	0	0	0

33126 STEEL PIPE AND TUBE FROM FURNACES AND OTHER INDUSTRIES, INCLUDING COMMODITY CODE 33176

1958	0	0	0	0	0	$1,723.6	0	0	0	$36.2	$140.5	$1,619.3	5.5
1959	0	0	0	0	0	2,091.7	0	0	0	103.5	71.9	2,122.3	5.0
1960	0	0	0	0	0	1,774.3	0	0	0	91.4	61.1	1,804.6	5.4
1961	0	0	0	0	0	1,819.8	0	0	0	94.1	65.9	1,848.0	5.0
1962	0	0	0	0	0	1,824.4	0	0	0	110.2	60.7	1,874.0	5.3
1963	0	0	0	0	0	1,868.5	0	0	0	129.0	73.7	1,923.8	5.8
1964	0	0	0	0	0	2,121.1	0	0	0	135.5	76.9	2,179.6	0
1965	0	0	0	0	0	0	0	0	0	156.8	0	0	0

33127 COLD ROLLED AND COLD FINISHED STEEL BARS, INCLUDING COMMODITY CODE 33128, 33167, AND 33168

1958	0	0	0	0	0	$2,420.5	0	0	0	$4.1	$64.9	$2,360.7	5.7
1959	0	0	0	0	0	2,055.2	0	0	0	15.0	48.2	2,021.9	8.7
1960	0	0	0	0	0	3,224.0	0	0	0	27.0	164.3	3,086.7	10.0
1961	0	0	0	0	0	2,839.1	0	0	0	9.0	71.3	2,776.8	21.1
1962	0	0	0	0	0	3,130.5	0	0	0	23.8	60.0	3,094.3	7.9
1963	0	0	0	0	0	3,237.5	0	0	0	61.9	66.2	3,233.2	9.6
1964	0	0	0	0	0	3,678.8	0	0	0	83.8	76.5	3,686.1	0
1965	0	0	0	0	0	0	0	0	0	203.7	0	0	0

33152 STEEL NAILS AND SPIKES

1958	3.5	4.3	$14.4	$19.5	6.6	$150.4	$37.6	$38.6	$2.2	$35.7	$3.7	$191.4	3.0
1959	0	0	0	0	0	153.6	0	0	0	57.4	3.2	207.8	3.1
1960	0	0	0	0	0	122.7	0	0	0	46.0	3.6	175.1	2.8
1961	0	0	0	0	0	122.0	0	0	0	43.5	3.3	172.2	3.3
1962	0	0	0	0	0	128.7	0	0	0	47.2	3.2	182.6	3.5
1963	3.5	4.3	16.6	22.6	7.3	150.4	46.2	40.1	2.5	40.5	4.6	196.3	3.6
1964	0	0	0	0	0	154.9	0	0	0	52.5	4.7	202.7	0
1965	0	0	0	0	0	0	0	0	0	60.1	0	0	0

NOTE.—0 means not available.

Source: Trade Relations Council, "Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958–64, 1965" (June 1966).

Particular attention is called to the very large increase in imports which occurred in 1965 in comparison with 1964 in each of the industry categories shown in the above table.

DOMESTIC AND FOREIGN TRADE TRENDS

From these basic data the following table compares the growth rates of imports and exports with the growth in domestic shipments and the growth in the size of the total domestic market. Notice that the rate of growth in imports from 1958 to 1963 is many times the growth in domestic shipments or in the size of the domestic market, while exports actually declined. The growth in imports from 1964 to 1965 of 108% is astounding.

TABLE 2.—*Rate of growth in domestic and foreign trade, by industry*

[Percent change]

Industry	Domestic shipments				Imports			
	1958–63	Average, 1958–60 and 1963–64	1963–64	1964–65	1958–63	Average, 1958–60 and 1961–63	1963–64	1964–65
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
3312	41.8	10.9	13.6	0	227.6	28.5	−9.7	107.7

Industry	Exports				Domestic market			
	1958–63	Average, 1958–60 and 1961–63	1963–64	1964–65	1958–63	Average, 1958–60 and 1961–63	1963–64	1964–65
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
3312	−12.5	−8.5	33.4	0	46.3	11.9	12.5	0

NOTE.—0 means not available.

Source: Trade Relations Council, "Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958-64, 1965" (June 1966).

For comparison with the above data, there is set forth below the data for each of the manufacturing industries at the 2-digit level.[1]

[1] The 2-digit industries are:
Industry:
20 Food and kindred products.
21 Tobacco manufactures.
22 Textile mill products.
23 Apparel and related products.
24 Lumber and wood products.
26 Paper and allied products.
27 Printing and publishing.
28 Chemicals and allied products.
30 Rubber and plastics products, N.E.C.
31 Leather and leather products.
32 Stone, clay, and glass products.
33 Primary metal industries.
34 Fabricated metal products.
35 Machinery except electrical.
36 Electrical machinery.
37 Transportation equipment.
38 Instruments and related products.
39 Miscellaneous manufacturing.

TABLE 3.—*Rate of growth in domestic and foreign trade, by industry*

[Percent change]

Industry	Domestic shipments				Imports			
	1958-63	Average, 1958-60 and 1961-63	1963-64	1964-65	1958-63	Average, 1958-60 and 1961-63	1963-64	1964-65
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
20	7.1	6.8	5.1	0	30.5	12.6	−9.1	−1.9
21	16.7	9.1	2.5	0	−21.7	−27.2	52.8	−4.4
22	35.7	14.0	7.0	0	75.8	21.6	1.6	10.3
23	11.7	8.0	5.6	0	115.0	37.9	21.2	1.2
24	14.6	1.9	6.7	0	46.8	15.1	3.5	3.4
26	22.6	11.3	6.3	0	14.7	6.1	2.9	9.7
27	45.4	26.6	15.1	0	155.7	76.7	21.0	11.0
28	26.0	11.9	8.7	0	33.7	13.3	8.9	12.8
30	−1.3	−1.3	5.3	0	204.0	15.4	25.6	13.0
31	1.8	−.4	5.3	0	106.1	47.1	1.5	38.0
32	14.4	4.8	6.7	0	54.1	13.4	13.6	8.6
33	39.5	11.3	14.2	0	75.5	15.2	−2.3	56.3
34	19.4	7.7	9.0	0	61.3	8.4	15.1	5.7
35	16.9	8.5	11.8	0	114.0	42.7	13.1	19.6
36	46.4	23.9	5.0	0	451.7	156.7	.7	27.0
37	82.3	25.9	3.1	0	12.1	−21.8	33.7	23.2
38	34.4	18.0	16.0	0	165.4	72.3	15.4	9.8
39	16.2	11.4	7.0	0	74.3	29.6	6.8	13.3

Industry	Exports				Domestic market			
	1958-63	Average, 1958-60 and 1961-63	1963-64	1964-65	1958-63	Average, 1958-60 and 1961-63	1963-64	1964-65
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
20	32.8	16.2	16.2	0	7.2	6.8	4.4	0
21	40.5	24.4	10.0	0	15.9	8.6	2.3	0
22	−10.0	−6.8	22.6	0	38.5	14.9	6.4	0
23	3.6	−2.6	19.9	0	18.1	8.5	5.9	0
24	69.2	26.2	15.0	0	15.9	2.4	6.3	0
26	67.0	32.6	17.3	0	21.1	10.5	5.7	0
27	99.2	48.1	14.0	0	45.2	26.7	15.4	0
28	32.8	15.1	9.0	0	25.8	11.8	8.7	0
30	−19.8	−15.2	11.5	0	1.2	−.5	5.8	0
31	24.2	17.6	2.0	0	4.0	.8	5.2	0
32	20.1	8.8	18.2	0	15.2	5.0	6.7	0
33	.5	−.9	28.4	0	42.4	11.8	13.0	0
34	12.7	11.9	2.5	0	20.1	7.6	9.2	0
35	45.4	28.5	18.2	0	14.6	6.3	10.7	0
36	31.6	24.0	0.1	0	50.0	25.4	5.1	0
37	10.6	1.2	15.9	0	84.5	25.6	3.2	0
38	67.0	34.8	17.4	0	37.3	19.6	15.9	0
39	85.9	35.0	8.3	0	18.0	12.1	6.9	0

NOTE.—0 means not available.

Source: Trade Relations Council, "Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958-64, 1965" (June 1966).

Only electrical and electronic products (Industry 36) had a more rapid rate of growth of imports, 1958 to 1963, and that industry's increased imports, though substantial, 1964 to 1965, are not nearly so large as those experienced by basic steel. In the light of the proper and commendable attention that has been devoted by the Government to the problem of textile and apparel imports (Industries 22 and 23), the growth in imports and the decline of exports affecting basic steel are especially noteworthy.

In the following table the growth rates in domestic and foreign trade are given for sections of the basic steel industry at the 5-digit product level, as follows:

Industry:

33122 Steel ingot and semifinished shapes.

33123 Hot rolled sheet and strip tinmill products, including Commodity Code 33124.

33125 Steel wire made in blast furnaces and steel mills, including Commodity Code 33155.

33126 Steel pipe and tube from furnaces and other industries, including Commodity Code 33176.

33127 Cold rolled and cold finished steel bars, including Commodity Codes 33128, 33167, 33168.

33152 Steel nails and spikes.

TABLE 4.—*Rate of growth in domestic and foreign trade, by industry*

[Percent change]

Industry	Domestic shipments				Imports			
	1958-63	Average, 1958-60 and 1961-63	1963-64	1964-65	1958-63	Average, 1958-60 and 1961-63	1963-64	1964-65
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
33122	7.4	-0.5	28.1	0	403.9	83.3	22.2	27.0
33123	24.4	9.6	15.6	0	233.9	29.0	19.7	81.8
33125	7.8	-2.2	10.9	0	188.7	44.5	41.5	16.0
33126	8.4	-1.4	13.5	0	256.4	44.2	5.0	15.8
33127	37.3	6.9	10.2	0	(1)	105.4	35.4	143.0
33152	-5.6	-5.5	3.0	0	38.6	.8	6.0	14.6

Industry	Exports				Domestic market			
	1958-63	Average, 1958-60 and 1961-63	1963-64	1964-65	1958-63	Average, 1958-60 and 1961-63	1963-64	1964-65
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
33122	83.0	114.7	144.3	0	11.9	1.0	26.3	0
33123	-12.2	-12.0	34.8	0	29.1	11.0	15.3	0
33125	58.1	31.6	35.4	0	13.6	0	13.3	0
33126	-47.5	-26.8	4.4	0	18.8	1.8	13.3	0
33127	2.1	-25.8	15.5	0	40.7	5.6	10.6	0
33152	24.4	6.0	2.0	0	2.0	-4.2	3.8	0

[1] Percent change exceeds 9,999.9.

NOTE.—0 means not available.

Source: Trade Relations Council, "Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958-64, 1965" (June 1966).

The above table shows that this extraordinary rise in imports of basic steel products in comparison with exports and the domestic market was experienced in all product categories.

FOREIGN TRADE BALANCE

The disturbing import-export trends disclosed in the above tables produced a steady worsening in the balance of trade in basic steel products. This is shown by the following table presenting data at the 5-digit product code level.

TABLE 5.—*Foreign trade balance, by industry*

Industry	Trade balance (millions)			Net percent change		Export-import ratio			Ratio to domestic market of—			
									Imports		Exports	
	Average, 1958–60	Average, 1961–63	1964	1958–60 to 1964	1961–63 to 1964	1958–60	1961–63	1964	1958–60	1964	1958–60	1964
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(27)
33122....	−40.7	−71.4	−83.4	−104.7	−16.9	0.20	0.24	0.43	0.025	0.056	0.005	0.024
33123....	5.0	−82.6	−94.6	−1,978.5	−14.5	1.02	.70	.74	.033	.041	.034	.031
33125....	−27.8	−41.1	−67.3	−142.1	−63.6	.21	.19	.21	.055	.115	.012	.024
33126....	14.1	−44.4	−58.5	−513.8	−31.9	1.18	.60	.57	.042	.062	.049	.035
33127....	77.1	34.3	−7.3	−109.5	−121.4	6.02	2.09	.91	.005	.023	.033	.021
33152....	−42.9	−43.0	−47.8	−11.5	−11.1	.08	.08	.09	.242	.259	.018	.023

Source: Trade Relations Council, "Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958-64, 1965" (June 1966).

In the above table note especially the last four columns on the right. The data in those columns disclose that the ratio of imports to the domestic market increased substantially between the benchmark period, the average of 1958–1960, on the one hand, and 1964, on the other. At the same time, the relationship of exports to the domestic market decreased between the two periods with the exception of steel wire.

Compare the rate of deterioration in the trade balance, and the increased penetration of the domestic market by imports, disclosed in the above table, with the similar data for the basic manufacturing industries as shown in the following table.

TABLE 6.—*Foreign trade balance, by industry*

Industry	Trade balance (millions)			Net percent change		Export-import ratio			Ratio to domestic market of—			
									Imports		Exports	
	Average, 1958-60	Average, 1961-63	1964	1958-60 to 1964	1961-63 to 1964	1958-60	1961-63	1964	1958-60	1964	1958-60	1964
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
20	−326.5	−324.8	9.6	102.9	102.9	0.79	0.81	1.01	0.026	0.027	0.021	0.028
21	77.7	99.5	112.6	44.9	13.1	14.92	25.49	20.32	.002	.002	.080	0.038
22	−36.6	−122.5	−111.6	−203.4	8.9	.88	.68	.74	.034	.035	.030	.026
23	−156.5	−255.1	−374.6	−139.4	−46.9	.38	.27	.23	.016	.028	.006	.007
24	−431.9	−481.5	−517.4	−19.8	−7.3	.25	.27	.31	.067	.077	.017	.024
26	−716.3	−676.0	−604.8	15.6	10.5	.31	.38	.47	.071	.065	.022	.030
27	21.8	27.0	31.3	43.6	16.2	2.17	1.82	1.65	.016	.029	.036	.047
28	679.0	787.8	869.5	28.1	10.4	2.84	2.88	2.81	.021	.021	.058	.059
30	13.6	−10.3	−19.9	−246.5	−93.6	1.19	.87	.80	.023	.033	.028	.027
31	−73.4	−121.7	−138.1	−88.2	−13.5	.39	.31	.29	.028	.045	.011	.013
32	−53.5	−68.3	−66.0	−23.4	3.4	.76	.73	.78	.027	.033	.021	.026
33	−524.1	−727.6	−675.3	−28.8	7.2	.59	.51	.59	.051	.046	.031	.027
34	36.1	48.6	32.7	−9.5	−25.1	1.39	1.44	1.25	.016	.018	.022	.023
35	1,706.8	2,148.7	2,649.0	55.2	23.3	6.53	5.88	5.51	.023	.037	.149	.204
36	544.5	409.6	398.1	−26.9	−2.6	3.72	1.80	1.67	.011	.025	.043	.042
37	419.2	595.3	592.3	41.3	−.5	1.55	2.00	1.63	.030	.026	.047	.042
38	25.2	−2.9	13.3	−47.0	566.8	1.26	.98	1.06	.047	.071	.059	.076
39	−173.3	−218.4	−233.6	−34.8	−7.0	.39	.41	.45	.072	.092	.028	.041

Source: Trade Relations Council, "Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958-64, 1965" (June 1966).

The degree of domestic market penetration by imports shown for steel ingot and semifinished shapes, steel wire, steel pipe and tube, and steel nails is higher than that shown for the great majority of the basic industries in the above table.

KEY ECONOMIC CHARACTERISTICS OF BASIC STEEL IN COMPARISON WITH OTHER MANUFACTURING INDUSTRIES

In the following table are set forth the key economic variables of basic steel, at both the 4-digit and 5-digit industrial classification levels, and for the basic manufacturing industries of the U. S. at the 2-digit level.

TABLE 7.—*Characteristic economic variables, by industry*

Industry	Ratio of total payroll to— Shipments, Average, 1958-60 (29)	Ratio of total payroll to— Shipments, 1964 (30)	Ratio of total payroll to— Value added, Average, 1958-60 (31)	Ratio of total payroll to— Value added, 1964 (32)	Gross earnings-shipments ratio, Average, 1958-60 (33)	Gross earnings-shipments ratio, 1964 (34)	Production workers-total payroll ratio, Average, 1958-60 (35)	Production workers-total payroll ratio, 1964 (36)	Total employment-value added ratio[1], Average, 1958-60 (37)	Total employment-value added ratio[1], 1964 (38)	Capital expenditure per production worker, Average, 1958-60 (39)	Capital expenditure per production worker, 1964 (40)	Average ad valorem equivalent import duties, Average, 1958-60 (41)	Average ad valorem equivalent import duties, Latest (42)
3312	21.5	17.4	51.4	48.8	20.3	18.3	67.0	78.6	7.9	6.4	1,829	2,685	5.6	6.4
20	12.0	13.6	40.2	40.5	19.3	19.9	58.8	59.2	8.7	7.3	786	1,318	7.9	7.8
21	9.3	9.0	18.9	17.9	39.8	41.6	83.7	84.5	5.0	3.9	542	887	18.3	19.4
22	24.2	21.2	59.3	56.0	16.6	16.6	84.2	82.0	17.5	13.4	239	668	18.6	16.7
23	25.7	28.9	58.3	56.7	18.4	22.0	77.9	77.6	18.9	18.0	11	47	31.2	30.6
24	26.0	27.5	61.0	58.1	16.6	19.8	82.3	80.7	17.2	12.8	838	730	5.2	5.9
26	21.2	21.8	47.6	47.2	23.4	24.4	72.2	72.7	9.1	7.6	1,103	1,890	.7	.5
27	18.4	18.7	29.6	30.0	43.9	43.7	24.2	22.1	5.8	4.8	1,125	1,980	4.5	3.7
28	16.9	16.4	31.4	27.8	37.0	42.7	56.1	55.3	5.3	4.1	1,677	2,950	8.1	11.4
30	21.9	27.6	47.0	50.4	24.7	27.1	73.7	75.8	8.1	7.3	1,056	1,522	11.3	9.8
31	28.9	30.8	59.5	56.7	19.6	23.5	79.5	79.5	17.6	14.4	49	128	14.6	14.5
32	29.6	31.3	48.1	46.5	32.0	36.0	75.6	74.4	9.9	8.1	751	1,205	22.4	20.8
33	22.1	18.9	52.7	49.9	19.8	18.9	69.8	78.4	5.6	6.8	1,025	2,104	3.5	4.1
34	28.8	27.8	56.3	54.3	22.4	23.3	68.5	70.4	10.8	8.9	463	793	15.9	14.2
35	31.0	33.7	58.0	53.2	22.5	29.6	60.8	61.1	10.1	7.7	547	915	5.6	5.9
36	29.7	33.3	54.6	52.8	24.6	29.8	61.6	58.4	10.4	8.3	475	771	6.8	9.0
37	15.7	15.2	46.0	41.4	18.5	21.6	76.6	78.3	7.5	5.5	215	1,525	8.1	7.9
38	30.7	29.7	48.0	40.4	33.2	44.0	59.3	57.5	8.7	6.0	719	663	42.1	23.6
39	27.7	29.2	52.2	49.5	25.4	29.7	70.0	69.7	13.0	10.5	169	627	22.0	21.3

Industry	Ratio of total payroll to— Shipments, 1958 (29)	Ratio of total payroll to— Shipments, 1963 (30)	Ratio of total payroll to— Value added, 1958 (31)	Ratio of total payroll to— Value added, 1963 (32)	Gross earnings-shipments ratio, 1958 (33)	Gross earnings-shipments ratio, 1963 (34)	Production workers-total payroll ratio, 1958 (35)	Production workers-total payroll ratio, 1963 (36)	Total employment-value added ratio[1], 1958 (37)	Total employment-value added ratio[1], 1963 (38)	Capital expenditure per production worker, 1958 (39)	Capital expenditure per production worker, 1963 (40)	Average ad valorem equivalent import duties, Average, 1958-60 (41)	Average ad valorem equivalent import duties, 1963 (42)
33122	21.6	11.5	51.4	45.5	20.4	13.7	73.5	76.7	8.2	6.1	3,530	2,012	5.6	5.0
33123	13.5	16.0	27.3	27.5	36.0	42.3	75.3	77.8	8.4	6.7	1,331	2,377	7.3	6.8
33125	23.7	23.3	58.4	57.5	16.9	17.3	76.3	75.9	9.2	8.3	979	783	7.7	7.8
33163	13.2	15.0	82.0	48.8	12.1	15.7	73.7	72.6	11.4	9.3	614	722	3.0	3.5

[1] Cols. 37 and 38 are ratio of number of employees per $100,000 of shipments or value added.

NOTE.—Industries 33126 and 33127 are not included because the key economic data required for the calculation of the above economic variables are not stated in the official Government statistics.

Source: Trade Relations Council, "Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958-64, 1965" (June 1966).

From the above table it is important to note the following:

1. The capital expenditures per production worker in basic steel (Industry 3312) was higher than that in any of the 2-digit manufacturing industries with the exception of chemicals and allied products (Industry 28). Thus, basic steel is clearly capital intensive.
2. The so-called "blue collar ratio" (production worker payroll to total payroll), a measure of labor intensiveness, is higher for basic steel than for any of the basic 2-digit industries except textiles (Industry 22), apparel (Industry 23), lumber products (Industry 24), and leather products (Industry 31). Thus, basic steel is highly labor intensive.
3. The gross earnings to value of shipments ratio (the number of cents per dollar of sales, before taxes, available for taxes, depreciation, interest charges, rent, and dividends) is lower for basic steel than for all of the basic manufacturing industries at the 2-digit level except textile mill products (Industry 22). Thus, steel is among the least profitable of all industries.
4. The average ad valorem equivalent of the import duties applicable to basic steel products is significantly lower, and by a major degree, than the level of duties applicable to the products of such labor-intensive industries as textiles (Industry 22), apparel (Industry 23), and leather products (Industry 31). Thus, basic steel, while providing for one of the Nation's highest levels of capital expenditures per worker among manufacturing industries out of its gross earnings, is as labor intensive as the least capital-intensive industries, has among the Nation's lowest gross earnings performance ratios, and with these indicia of sensitivity to foreign competition, must face that competition in the domestic market with one of the lowest levels of duties applicable to labor-intensive manufacturing products.

THE RANKING OF BASIC STEEL IN COMPARISON WITH ALL OTHER 4-DIGIT MANUFACTURING INDUSTRIES IN KEY ECONOMIC AND FOREIGN TRADE PERFORMANCE FACTORS

To show the comparative standing of the basic steel industry in comparison with each of the other 182 4-digit industry groups in the Trade Relations Council's data bank, each of the industries was ranked under each of the key enocomic variables shown in the above tables from the highest to the lowest. The rankings of basic steel compared with selected industries of acknowledged extreme import sensitivity are shown in the following table.

TABLE 8.—*Ranking by key economic variables of basic steel and other selected industries among 183 industries*

	Basic steel (3312)	Cotton broad woven fabrics (2211)	Apparel (2311 et al.)	Footwear, except rubber (3141)	Radio and TV receiving sets (3651)
Production worker total payroll, 1964	30	6	34	13	91
Import, percent change, 1964–65	5	57	125	83	42
Trade balance, average, 1961–63	177	62	178	166	176
Trade balance, 1964	172	41	181	169	176
Trade balance, percent change, average, 1958–60 to 1964	180	125	158	161	177
Gross earnings to shipments ratio, 1964	155	162	121	115	120
Capital expenditures per worker, 1964	22	90	176	172	147
Ad valorem import duty [1]	135	43	0	71	122

[1] Latest available ad valorem import duty.

Source: Trade Relations Council, "Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958–64, 1965" (June 1966).

The extremely vulnerable position of basic steel to import injury is shown by the above table:

1. Only cotton broad woven fabrics and leather footwear rank higher in the blue collar ratio than basic steel; significantly, steel has a higher labor-intensiveness ranking than apparel or radio and TV receiving set manufacture.
2. Steel ranks highest of any of these exceptionally import-sensitive industries in the per cent change of imports, 1964–1965.

3. Steel ranks much below cotton broad woven fabrics and leather footwear by the magnitude of its trade deficit for the benchmark period, the average of 1961–1963, and for 1964; its trade deficit ranks it alongside of apparel and radio and TV sets where imports from the low-wage countries of Asia have seriously disrupted the American market.

4. Steel ranks lowest of all the industries in the negative per cent change in its trade balance, meaning that it has slipped the worst of any of these classic examples of import-disrupted, labor-intensive industries.

5. Steel ranks lower in its gross earnings ratio than any of the labor-intensive, import-sensitive industries except cotton broad woven fabrics, and its ranking is very close to that industry's.

6. Basic steel ranks very high by the level of capital expenditures per worker.

7. Basic steel ranks lowest of all of these industries when judged by the level of ad valorem equivalent import duties applicable to its products.

These data strongly indicate that action on behalf of the steel industry in relation to import regulation is urgent and long overdue. By this table the situation of the steel industry is clearly revealed; earnings are held at a depressed level, as serious or more serious than that of the other of America's most seriously affected import-sensitive industries; it is as labor intensive and thus as vulnerable to imports from low-wage countries as any of these industries; the rate of increase of imports is more rapid in the case of steel than the other industries; and it has the lowest level of duties.

Conclusion

Under a Government committed to the equal protection of the laws, the quality of effort which has properly been devoted on behalf of the cotton textile industry because of the rate of increase in imports of cotton textiles and apparel, should likewise be applied to a solution of the steel import problem. Such action is also of obvious importance in the area of the Nation's continuing balance of payments deficit. The current trends in exports and imports reëmphasize the importance of Governmental action to achieve some control over rapidly increasing imports in order to protect our trade balance as an important element in the total balance of payments picture.

Mr. Chairman, we trust that our data will help illuminate and define the gravity of the steel import problem. Indeed, we hope that our testimony will prove to be of assistance to the Committee in forming a resolve to report Senate Resolution 149 or to take other equally appropriate action leading to prompt measures to exert reasonable control over the massive and rapid increases which are taking place in the importation of basic steel products.

Senator HARTKE. Thank you for a very informative and statistical report. With such enthusiasm maybe the resolution will be adopted. Thank you anyway.

Mr. O. R. Strackbein, Nation-Wide Committee on Import-Export Policy.

We are glad to have you, and you may proceed in any way you see fit.

STATEMENT OF O. R. STRACKBEIN, CHAIRMAN, THE NATIONWIDE COMMITTEE ON IMPORT-EXPORT POLICY

Mr. STRACKBEIN. Thank you. I have a statement here which is not very long.

My name is O. R. Strackbein. I am chairman of the Nationwide Committee on Import-Export Policy.

My testimony will be limited to certain aspects of the steel import problem without making a rounded presentation, as I am sure the industry representatives will do, including those who man the steelworks.

It is the purpose here to estimate the price to the iron and steel industry of becoming competitive with imports, with special emphasis on employment.

Before analyzing the steel industry some revealing light may be thrown on the subject of the cost of becoming competitive by examining the same problem in another basic industry.

Senator, I have here made an analysis of the experience of the coal industry, and I think it is very important that some mention be paid to that experience.

Senator HARTKE. I might say, Mr. Strackbein, that not alone are we good, as I indicated, in Indiana, in steel and in soybeans and in hogs, we are also good in coal, too.

Mr. STRACKBEIN. Yes.

The coal industry offers what may be a very useful example. The experience of the coal industry during the past 10 to 15 years may hold a clue to what price has to be paid to remain competitive. While the coal industry's problem was not the same as that of iron and steel, it bears a close enough resemblance to be of great value.

Coal suffered from competition, not only with imports but fuel and diesel oil and natural gas. Steel's competitive problem arises largely from imports but is not confined to that sector. It also competes with other products such as aluminum, plastic, wood, glass, etc.

The cost of becoming competitive in the coal industry fell with shattering effect on the labor force, especially the miners. This would be expected because in coal production the direct labor cost is high; and the burden of cost reduction must be borne by the cost factor that outweighs all other combined; namely, labor. Increased efficiency is achievable in any significant degree only by laborsaving devices and operations.

The story can be told quickly.

In 1950 employment in coal mines was an average of 483,000. They produced 560 million tons of coal in 1 year, or 1,159 tons per man. In 1965 only 142,000 workers produced 525 million tons of coal, or 3,697 tons per man. This was more than a threefold increase in productivity. This productivity miracle was accomplished by abolishing 341,000 jobs, or 2 out of every 3. As a result the wholesale price of coal lagged behind many products, moving from 86.1 in 1950 to only 95.5 in 1965 where 1957–59 equals 100. Wholesale steel prices by contrast moved from 66.9 to 101.4 in the same period. Coal moved up 9.4 points; steel, 34.5 points. Nonferrous metals rose 36.0 points, which was higher than the rise in steel, and I may add here that the rise in steel was not out of line to any perceptible degree with the increase in wholesale prices in general. Coal, the price of coal, did lag because of the great increase in productivity that was achieved (Statistical Abstract of the United States. 1965, table 1027, p. 716; Survey of Current Business, U.S. Department of Commerce, April 1966, p. S–19 and p. S–35; Statistical Abstract, 1965, table 1029, p. 78; also table 490, pp. 357–358).

Yes, the coal industry became competitive. One byproduct was an increase in exports. These rose from 25 million tons in 1950 to 50 million tons in 1965, a doubling of foreign sales. They would go still higher but for European import restrictions (Statistical Abstract, 1965, table 1029, p. 718; Survey of Current Business, April 1966, p. S–35). Moreover, coal production has recovered from a low of 420,000 tons in 1961 to 525,000 in 1965.

The industry became competitive by the only route that is open, namely, more efficient production, or ruthless mechanization. In terms of employment the price in the coal industry was indeed extremely high. The Appalachian destitution was a direct result.

Here was a development, Senator, that was going on during the last 10 or 15 years, and no one paid much attention to it until the destitution of the Appalachian area became a national problem.

The mechanization that took place in the coal industry proceeded very silently, you might say, with very little public attention.

The steel industry now faces a similar problem; but it does not follow that it can repeat the experience of the coal industry, or necessarily that it has to, may I add. In point of employment the number on the payroll is still over 500,000. The number of employees has declined only from 587,000 production workers in 1950 to 512,000 in 1964, a drop of only 75,000 or a mere 13 percent, and when I say a mere, I mean, of course, in comparison with the experience in the coal industry. (Statistical Abstract 1965, table 306, p. 221.) This compares with a decimation of employment in the coal industry, as related above, that is, a displacement of 341,000 workers. Obviously, judged by the example of coal, the steel industry has been remiss.

Because of its "backwardness" the steel industry has suffered a reversal in foreign markets. Mind you, when I say backwardness, I mean that in no sense of condemnation but rather as an indication that the steel industry had not dealt as ruthlessly in terms of mechanization as the coal industry had done under the stress of the need to survive. Instead of gaining foreign markets, as did coal, the exports of steel have shrunk.

There is no point in repeating the statistics on steel exports, which have declined and the rise in steel imports which have been tenfold since 1957. These statistics have been presented repeatedly.

It cannot be determined precisely what the price would be for the steel industry should it seek to become as competitive as coal. Nevertheless certain measures can be applied. Apparently it would not be necessary, as in the case of coal, to sacrifice over 300,000 workers. Perhaps a sacrifice of only 200,000 would do the job. Let us make a few calculations.

Senator, I realize that this sounds extreme, but we have the example of coal before us, and incontrovertible fact.

Productivity in the steel industry increased from 165 tons per production worker in 1950 to 248 tons in 1964. (Stat. Abs., 1965, table 306, p. 221; Iron and Steel Institute Foreign Trade Trends, 1965, table 7, p. 38.) This represents an increase of 50 percent, and really not a very bad record as measured by productivity in other industries. As shown above, coal's productivity per production worker in the same period increased over 200 percent, or four times as sharply as in steel. Had steel done as well, its employment of production workers would have fallen to near 150,000 level. As it was, steel in 1964 produced 32.4 percent more basic steel than in 1950 with 13 percent fewer workers.

Steel's foreign competitors are much more formidable than U.S. coal's foreign competitors. Steel production has risen rapidly in a number of industrial countries. West German production has doubled since 1952, rising to 36.8 million tons in 1965. Japanese production has experienced a much sharper rise, surpassing both West Germany and the United Kingdom in the last few years, and reaching 41.1 million tons in 1965. French and Italian production has also risen sharply. The United Kingdom rise has been more moderate.

These statistics, may I say, are backed by references to their sources. (European Coal and Steel Community, general report, March 1964; also publication of Office Statistique de Communautes Europeenes, 1966, No. 2, p. 7.)

In 1952 this country produced 48 percent of the world's steel. (Stat. Abs. 1954, table 1129, p. 960.) In 1964 this share had dropped to 26 percent or to 127 million tons of a world total of 478 million.

Steel wages in the United States for production workers were $3.41 per hour in 1964, rising to $3.54 in February 1966. This is the average wage per hour for production workers. By contrast European average annual net earnings in 1963 (without free accommodations) with a family of two, were $1,970 in West Germany, $2,264 in France, $2,516 in Belgium, $2,146 in Holland, and $1,834 in Italy. In the same year (1963) steel wages averaged $141.86 per week in this country. A 50-week year would have brought $6,650 per worker, or well over three times the pay in West Germany, Italy, and Holland. There again the source is given, if anyone wants to check these figures. (U.S. Wages: Current Survey of Business, supra; European; Statistical Office of the European Communities, Basic Statistics of the Community 1965, table 92, p. 138.)

Output per production worker in the European iron and steel industry was in 1964: West Germany, 181 tons; France, 151 tons; Italy, 174 tons (Europe Coal and Steel Community, general report, March 1964; Basic Statistics of the Community, 1965, table 10, p. 28).

These levels compare with 248 tons per worker in this country in the same year. With wages of about a third of those prevailing here the European producers should be able to compete with an annual output per worker as low as 100 tons.

Japanese output in 1964 was 156 tons per production worker. (Survey of Japanese Finance and Industry.) This was up from 112 tons in 1960. Thus, while Japanese wages continue to lag far behind the European, their productivity is fast approaching the European level. In 1965 average annual wages of Japanese steel production workers, with bonus, was $1,380.

I should point out here that the fringe benefits in Japan are quite high in relation to their other pay. On an absolute basis their fringe benefits are, perhaps, not as high as they are in this country.

(Monthly report of iron and steel statistics, Iron and Steel Federation, Japan.) In 1965 approximately 40 percent of total U.S. imports of iron and steel came from Japan, compared with 17.9 percent in 1960. (Iron and Steel Institute, supra.)

The steel industry in this country has accelerated its expenditure for plant and equipment in recent years, moving from $1.1 billion in 1960 to $1.9 billion in 1965, while projecting over $2 billion for 1966. (Stat. Abs. 1965, table 960, p. 501.) This represents a serious modernization program.

A comparison of prices, January 1, 1964, f.o.b., port of shipment, of the European Coal and Steel Community and U.S. prices for export,

port of shipment, shows the wide margin separating ECSC and U.S. prices (dollars per ton in each case):

	ECSC	United States
Reinforcement bars	$75-6	$127
Merchant bars	81-3	130-139
Wire rod	78-80	146.15
Plate	84-8	124.10
Hot rolled sheet	106-22	146.15
Cold rolled sheet	110-25	162.25

Source: 12th general report, the High Authority, European Coal and Steel Community, March 1964 pp. 454.5.

THE DILEMMA

The road to competitiveness for the iron and steel industry is a rough one, with particular significance for the workers. Under similar, if more aggravated, circumstances, the coal industry as an industry survived. The workers, however, figuratively speaking, were massacred economically. Yet the industry had no alternative if it was to survive.

In the steel industry foreign competition looms larger and more ominously than it did in the coal industry; but steel has an apparent escape hatch. It can invest in foreign countries, although there appear to be few attractive possibilities at present in that field in view of the world's current excess steel capacity and the nationalistic aspects of the industry.

If steel would insist on following the footsteps of coal it would have to go far beyond its present level of output per man per year; but to do that would hold nothing but terror for the work force. I have a calculation here which shows what in 1963 was the steel payroll. Then that is related to the value added by manufacturing and that, in turn, is related to the value of shipments. So you establish your relationship between the total payroll and the value of shipments.

Now, this turns out to be $4.11 billion for wages, $8.35 for value added, and $18.59 billion for the value of the shipments.

Therefore, this is a simple mathematical calculation and, of course, to that extent it is subject to a degree of error, but nonetheless I think quite adequate for our purposes.

If it were proposed to lower the cost of shipments by 10 percent, the work force would have to be reduced 40 percent, unless all the workers down the line, going back to the iron ore miners and the coal miners and transportation workers were also reduced by 10 percent in number, and so that the total burden would be distributed.

Another alternative would be to reduce the wages of the steel workers by 40 percent and retaining all those who are employed on the payroll or again unless you wanted to put the same wage reduction into effect all down the line to the supporting workers from the iron mines, the coal mines on the transportation to the steelmills.

If that were done, this might or might not be sufficient to bring the steel industry into a competitive level. This is a difficult point to establish, but from the looks of the difference in prices as previously cited, it appears that, perhaps, a 10 percent reduction in costs would be necessary.

To achieve this would cost about 200,000 jobs out of a total of some 500,000. This again is the result of the mathematical calculation.

Now, is this country prepared to pay such a price? If not, what is the alternative? Evidently the only practical option lies in control of import tonnage, preferably by quota. Even so, the industry must pursue its modernization if it is not to fall behind foreign technical improvements, because these improvements are going on.

Now, there is the other possibility of the reduction in profits and the question, of course, arises as to how far that could be carried, and how much good it could do.

In 1965 the profits after taxes of the primary iron and steel industry was 9.8 percent on stock equity, or $1.4 billion. This rate was the lowest in the durable goods group, the highest being 19.5 percent realized by the automotive industry. It (net profit) was equal to one-third of the 1963 employee payroll ($4.11 billion in 1963), one-sixth of the value added by manufacturing ($8.35 billion in 1963) and 7.5 percent of the value of shipments ($18.6 billion). The 9.8 percent rate for 1965 was up from the low figure of 5.4 percent on stock equity realized in 1962.

These statistics come from the Federal Trade Commission, Division of Financial Statistics.

Now, if the profits were cut in half, that is to say, to $700 million and the reductions were spread over the approximately $20 billion of shipments of iron and steel in 1965, a reduction of only 3½ percent in the price could be made; and such a small margin would not achieve a competitive standing. Moreover, the industry's incentive would be deeply eroded, and, no doubt, further investments in the steel industry would not be made.

Exports of iron and steel products cannot be looked to as a source of substantial relief. The outlook continues to be negative. Indirect exports in the form of machinery, vehicles, and so forth, sometimes cited as offering hope, are losing their lead over indirect imports. Those are imports of steel.

When we demand of a domestic industry a degree of efficiency sufficient to produce competitiveness with imports we necessarily assert acceptance of the means of achieving this state. In many instances this involves a massive displacement of labor to overcome the wage-productivity differential. Our shipping industry meets the differential (1) through governmental building and operating subsidies or (2) seeking refuge under foreign flags. As you know, the American-flag ships are carrying only about 10 percent of our trade.

Between Pittsburgh and Appalachia lie the quicksands of free trade. Do we rush forward to be swallowed up to our knees or do we recognize the harsh realities?

The problem, Senator, is not confined to the steel industry. The proposed study would, however, be of inestimable value if it addresses itself to the dilemma posed by efforts to become internationally competitive at all costs.

That is the end of the statement, and I thank you for your attention.

Senator HARTKE. Thank you, Mr. Strackbein. I have no questions. It was a very fine statement.

The last witness we have today is John W. Hight, the executive director of the Committee for a National Trade Policy.

STATEMENT OF JOHN W. HIGHT, EXECUTIVE DIRECTOR, COMMITTEE FOR A NATIONAL TRADE POLICY

Mr. HIGHT. Mr. Chairman, inevitably, as the last witness, much of what I have to say has been said already.

Senator HARTKE. Maybe you can say it so much better.

Mr. HIGHT. I doubt it. This is a coincidence rather than the result of any coordination.

My name is John W. Hight. I am representing the Committee for a National Trade Policy, and I appear before your committee today to comment on Senate Resolution 149.

Our committee does not speak for any interest engaged in the production, sale, purchase, transportation, or any other aspect of business in steelmill products.

We are a business-supported and business-directed organization concerned solely with the development of a trade expansion policy calculated to advance the interest of the Nation as a whole.

We have always favored detailed examination of the strengths and weaknesses of the various industries which make up our national economy and of their ability to adjust to increasingly less restricted international competition. We regard this adjustment as imperative and inevitable in a world where economic relationships between countries are increasingly close and where the avowed purpose of national governments is greater liberalization of trade.

Yet, we have certain reservations regarding the study proposed in this bill or this resolution, dealing as it does solely with the import competition faced by a particular industry.

A strong steel industry is essential and basic to our economy and indeed to the economies of most industrialized countries. The U.S. steel industry's cost and price structure affects immediately practically the whole range of industrial production in the United States. Our exports of industrial products exceed by several times our imports of such products. Most of these exports include steel as a principal component. The strength and competitiveness of our steel industry, therefore, is critical to the maintenance of our exports of manufactured goods. It would seem to us then highly important that, if there is fear that the U.S. steel industry cannot compete in international markets, a more fundamental examination and a more searching analysis of the industry should be made instead of the limited one proposed in this resolution.

Senator HARTKE. Do you, Mr. Hight, later on in your statement here go into what would be a more fundamental examination?

Mr. HIGHT. To some extent, sir. I would be glad to answer questions on it.

Senator HARTKE. Those are nice words. I am in favor of a more fundamental examination of everything than a limited one. So you and I would be on the same ground.

Mr. HIGHT. It may be true.

Senator HARTKE. In theory.

Mr. HIGHT. I would like to pick that up at a point in my statement where it applied.

Senator HARTKE. I just do not want to get carried away by slogans.

Mr. HIGHT. I know that.

Senator HARTKE. I listened to those slogans when we passed the Trade Expansion Act, and I remember then we were assured that Britain would become a member of the Common Market. Those assurances were made so many times that even when we asked for them, and it got to the place where if we asked the question, "Are you sure?" Well, they looked at you and expressed great consternation that you even had any thought in your mind that Britain would not be in the Common Market.

Mr. HIGHT. You were not alone, sir. Many people had doubts as to whether——

Senator HARTKE. But they did not express many doubts at the time they were pushing for that bill.

Mr. HIGHT. I think you are speaking of the administration. Certain others did.

Senator HARTKE. I am talking for everybody.

Mr. HIGHT. Those who supported it.

Senator HARTKE. Some of the administration. I remember some of the statements, and some of them have come back to haunt us. I imagine we will have new slogans when the Trade Expansion Act comes up for renewal just like we have new slogans for Vietnam every week. So it will be all right. We win it Tuesday, Wednesday, and Thursday, and we lose it Friday, Saturday, and Sunday. Go ahead.

Mr. HIGHT. Obviously, those who support this resolution are as interested as we—that is gratuitous, of course—in preserving and expanding the strength of one of this country's basic industries. This is certainly a subject deserving of serious attention. Yet, we feel that this resolution has serious shortcomings and we question its purpose.

Deficiencies of the resolution:

The proposed resolution has, at least, these serious deficiencies:

1. It asks the executive branch to conduct an investigation which in certain respects falls more appropriately in the competence and legislative responsibility of the Tariff Commission——

Senator HARTKE. Will you explain to me what part of the law gives that authority to the Tariff Commission?

Mr. HIGHT. I think it is very simply the escape clause.

Senator HARTKE. The escape clause?

Mr. HIGHT. Yes, sir. If an industry is injured by increased imports it may apply and appeal to the Tariff Commission.

Senator HARTKE. Mr. Hight, that makes a judgment first.

Mr. HIGHT. Well, it seems to me clear——

Senator HARTKE. Can you tell me what authority the Tariff Commission has unless somebody files an action, what it has to make this type of study, under what authority? I want to put your mind at ease. I happen to have the law here now and I am ready to look at it. Just as soon as you will tell me where to look, I will give it to you. I will be glad to look at it.

Mr. HIGHT. I think it is section 336.

Senator HARTKE. 336. I am on 332, so that is all right. I thought you might be under 336. This is equalization of cost of production. That is change of classifications of duties. Is that what you want to do, what you are talking about? That deal with duties.

Mr. HIGHT. Yes, sir. Isn't that what we are dealing with essentially? Is not the thrust of the resolution——

Senator HARTKE. I thought you read the resolution.

Mr. HIGHT. I read the resolution carefully, sir.

Senator HARTKE. It does not say anything about the duties.

Mr. HIGHT. It suggests that the industry needs protection, does it not, or that we study the industry to see whether it needs increased protection.

Senator HARTKE. I said when we do all of these things earlier. The resolution only asks for the possibility of unfair, below-cost pricing of steel mill product imports to the United States. It has nothing whatsoever to do with duties.

Mr. HIGHT. That was the next point I had.

Senator HARTKE. No. 2, "The impact of rapidly increasing imports of steel mill products upon the profitability of the domestic steel industry and the employment, income, and the tax revenues generated by that industry," that is No. 2. It does not deal with duties.

Mr. HIGHT. It suggests injury, does it not, the question of injury?

Senator HARTKE. Sure. I do not think there is any question about it. I am suggesting there is injury, not alone to the industry——

Mr. HIGHT. Then it seems to me the industry applies to the Tariff Commission for an escape clause case.

Senator HARTKE. That is sort of—I thought you were talking about an investigation. Now you are going into the balance of payments, which is the next item. Then also how about the efforts of the Government to restrict the outflow of private capital upon the demand for steel products in foreign countries affected thereby?

Go ahead, Mr. Vail, ask the question.

He is a very capable man, very fair, too. Sometimes he is not on my side.

Mr. HIGHT. I know he is.

Mr. VAIL. As I understand section 336, it is limited to those articles with respect to which there is no tariff concession in effect.

Mr. HIGHT. That is right; that is right, so it leads you directly into the escape clause, does it not?

Mr. VAIL. Well, it leads you into a blank wall in one respect.

Mr. HIGHT. Well, the industry must take the initiative is all I am saying, and I wonder why the Congress would take the initiative in a case where the industry does not take the initiative?

Senator HARTKE. I happen to be interested in the United States.

Mr. HIGHT. Yes, sir; I am quite sure we all are. But the industry is certainly interested in its own interests.

Senator HARTKE. I grant you that they have testified——

Mr. HIGHT. There is a route they can take, and that is the escape clause route if they feel they are injured by imports.

Senator HARTKE. Let me tell you something. No industry came in here and asked me for medicare. Why didn't the doctors come on in and ask me to be for medicare?

Mr. HIGHT. I do not think that is quite the same thing, sir. There was considerable sentiment in the country for medicare.

Senator HARTKE. There may be no sentiment for this whatsoever, and if there is not in this committee, we will find that out and we will have the results afterward.

What I am trying to find out, No. 2, is, let me point out that the resolution is not very restrictive. I made a preliminary statement if there is a suggestion, if you want the Tariff Commission, if the President wants them to participate, that is wonderful with me. I have great respect for the Tariff Commission. I know those members and I respect them as being honest and fair, and that they will be competent and objective. And there is no reason why the study group could not be utilizing other appropriate Federal agencies.

If you do not want the Commerce Department, if you do not trust them, some people do not trust the Commerce Department, I am not wedded to any particular organization here. I think that any one of these groups can probably direct the study. I thought the Commerce Department, which is charged with this basic responsibility concerning itself with industry, would be the appropriate agency. But I am not adverse to putting the Tariff Commission in.

Mr. HIGHT. I am quite sure they could do a competent job. I am concerned about the precedent that is involved here.

Senator HARTKE. The precedent?

Mr. HIGHT. Where you take a particular industry and ask——

Senator HARTKE. We have plenty other precedent for what we have done here.

Mr. HIGHT. I am sure they are very good. I worried about the cotton textile one, too.

Senator HARTKE. Mr. Vail points out to me here, this is from title IX of customs duty, "that upon the investigation of articles imported in such increased quantities as to cause or threaten to cause serious injury to domestic industry, consideration shall be given to economic factors. The findings of prior investigations," and that section which deals with the injury, as I pointed out previously, this is in the Trade Expansion Act which the Secretary of Labor has admitted that probably, under the interpretation given by the Tariff Commission, that no employee can meet that qualification. We have had 19 cases.

Mr. HIGHT. That is the adjustment assistance.

Senator HARTKE. Adjustment assistant section. But you cannot meet that. You cannot show that injury any more. But this raises more problems. Let us go ahead.

Mr. HIGHT. I will make my four points very quickly, sir.

Senator HARTKE. I just hope, and I want to give you the benefit of the doubt, let me say I am sure that you are not interested in just being against a resolution and finding excuses. You just want the Tariff Commission to consider it, as either the directing agency or as a participating agency. You want them directing it, right?

Mr. HIGHT. I think that is the law, sir. I think that is the way the law reads, and I think that is the proper avenue.

Senator HARTKE. Well, now, we will write the laws. We have still got that authority. Some people think they are going to do it for us, but we are still going to write them. We are going to write more of them as we go along and correct, maybe, some of the bad ones.

The point I want to make to you is simply, I am not opposed to the Tariff Commission participating. I am not one who prejudges any one of these people to be incompetent, unfair, or not objective. I think they could all be fair. I think the Tariff Commission would be eminently fair. I am not in favor of taking them out.

But I do hope, and I am sure, that you would not just want to throw such a cloud in here in order to be against such a resolution.

Mr. HIGHT. No, sir.

Senator HARTKE. All right. That is good.

Mr. HIGHT. I must confess I am against the resolution.

Senator HARTKE. I know. I am trying to find out why.

Mr. HIGHT. Let me give you four points, Senator, and I will do it very rapidly.

I gave you the first point. We do feel that the proper avenue for the industry is the Tariff Commission, through an escape clause review.

It asks for, No. 2, for an investigation of matters appropriately belong to the Treasury Department in the area of antidumping proceedings.

Now, clearly, if steel is dumped in this country there is a proper procedure for the industry, and it is through the Treasury Department.

Three, it calls for a study of matters which must already be known to the executive agencies if these agencies are properly doing their jobs, and we are sure they are, and on which these agencies are surely equipped to advise the Congress without a special study and its inherent delays:

Commerce and Treasury with respect to the balance of payments.

Labor with respect to employment.

Commerce with respect to profitability.

Commerce with respect to the effect of restraints of U.S. capital outflow on foreign demand for steel.

And broadly, the judgments sent to the President by the Tariff Commission and the Trade Information Committee in preparation for the Kennedy round.

Four, it takes an unrealistically narrow view of the impact of rising imports of steelmill products on the balance of payments and on U. S. efforts to achieve and maintain balance-of-payments equilibrium.

Five, it would set a precedent for similar requests by Congress dealing with the many other industries which have complained about import competition. I think it is an end run, Mr. Chairman, to come to the Congress when there are proper avenues within the law already passed.

The tone of the resolution clearly indicates that those who support it would like to have additional restrictions of some kind imposed on imports of steelmill products. Our committee strongly opposes such restrictions at this time or in the foreseeable future.

Senator HARTKE. Let me ask you a question. Do you strongly oppose any action against the United States by foreign countries?

Mr. HIGHT. Yes, sir. I think restrictions abroad are certainly as bad as restrictions we have here.

Senator HARTKE. That is what I say. You certainly are not—what type of presentation has this group made to the increase in tariffs by the Common Market countries on steel?

Mr. HIGHT. That is not solved yet.

Senator HARTKE. That is not solved. I mean, what type of protest have you made?

Mr. HIGHT. As you know, we are negotiating against a decision by the Common Market to negotiate from a 14-percent average level, which is not a correct one.

Senator HARTKE. I know. What has this group done to protest that increase which is said to be temporary, but now they have increased it——

Mr. HIGHT. This is a difficult thing, sir. This is in the Herter office, and it is a matter of negotiation. We have said in every place where we have appeared——

Senator HARTKE. The truth of it is, they increased the tariff didn't they? Don't you know that?

Mr. HIGHT. Oh, yes, I know that.

Senator HARTKE. They increased the tariff.

Mr. HIGHT. Yes, sir.

Senator HARTKE. It is up 9 percent.

Mr. HIGHT. That is right. They had previously reduced it, you see, without compensation.

Senator HARTKE. They have increased it now.

Mr. HIGHT. That is right.

Senator HARTKE. What did you do? Did you protest loudly in the name of the Committee for a National Trade Policy?

Mr. HIGHT. Yes, sir, generally, though not specifically in this case. We certainly did in the chicken war.

Senator HARTKE. You did what?

Mr. HIGHT. In the chicken war.

Senator HARTKE. Why didn't you do it in the steel case? Why do you protest about a contemplated action in which you have prejudged what is going to be done in the United States as contrasted to not protesting against action which has been taken overseas? How can you be so much interested in seeing something not take place to develop the facts in the United States, but at the same time, not protest when action is taken overseas which is absolutely contrary to at least your adopted philosophy?

Mr. HIGHT. We do it on every occasion that we can.

Senator HARTKE. Why couldn't you do it there? You came here.

Mr. HIGHT. Yes, sir.

Senator HARTKE. What is the difference? This is action which was taken.

Mr. HIGHT. I do not recall why we did not. I know what our position was, and I think we said it in our publications.

Senator HARTKE. Let me say to you, I know quite a few of these people on your board of directors.

Mr. HIGHT. Yes, I am sure you do.

Senator HARTKE. I think they are all sincere, dedicated people, and I understand that propably the staff does this preparation for them and makes a recommendation which way to go. But sometimes I have the feeling that some of these staffs, or some of these other people are not interested necessarily in free trade. I think they are interested in opening an avenue for greater penetration of the American market and, at the same time, not seeing to it that these equivalent negotiations and concessions are made in the foreign market.

As I have said before, I am sure that our American steel industry can be competitive worldwide.

Mr. HIGHT. I am, too.

Senator HARTKE. If they have free trade.

Mr. HIGHT. Mr. Chairman——

Senator HARTKE. But they cannot be competitive if you are going to permit cartelization. And if you are going to permit special concessions and subsidies, and if you are going to have import quotas, which we do not have. In other words, if you are not going to have the same set of rules on both sides of the fence, then you can see why you cannot be—it is not entirely a question of being competitive, but a question of why you cannot have fair dealing.

What I am interested in is at least fairness.

Mr. HIGHT. May I reply to that, Mr. Chairman?

Senator HARTKE. Yes, sir.

Mr. HIGHT. That is why we have the GATT. That is why the GATT was negotiated. It is a forum for the resolution of differences. We are in the middle of negotiations now on steel.

Senator HARTKE. Yes.

Mr. HIGHT. The American steel industry has presented its case to the Tariff Commission and the Trade Information Committee of Herter's office.

Senator HARTKE. But the facts are to the contrary, whether you want to admit it or not. The truth of it is you cannot say that they have not increased their tariff in the middle of the negotiations.

Mr. HIGHT. That is right; and the United States is protesting about that. It does not want to negotiate on that basis.

Senator HARTKE. But your organization and your staff members did not protest. They come here and protest against a resolution which only asks for fair treatment when you have had unfair treatment overseas. You pay no attention to it, or at least give it only cursory attention.

I think that your board of directors would be interested in why you did not do that, and if I were on the board of directors I would want to know why you did not protest the foreign action and why you are testifying here.

What was the purpose behind it? Was it negligence or was there some other motive? Now, it had to be one or the other.

Mr. HIGHT. I will investigate that, but I know we did not overlook the objectionable EEC position.

Senator HARTKE. Unless there was another purpose, which I cannot see.

Mr. HIGHT. I will have to investigate it. I remember the occasion.

Senator HARTKE. I hope you will do that. I do not care what your staff does, but this is up to you.

You may proceed.

Mr. HIGHT. As I said, we oppose restrictions at this time or in the foreseeable future.

We would strongly oppose such restrictions at any other time unless they were established by international negotiation for a temporary period to meet a crisis situation, and were a last-resort measure as part of a comprehensive program of economic adjustment (including recourse to escape-clause adjustment assistance, and antidumping proceedings). We do not foresee such an unpleasant contingency because we have confidence in the ability of the steel industry, with or without Government help, to adjust successfully to the changes always taking place in international competition—changes which may be expected to accelerate with the passing of time.

Those who seek ways and means of restricting imports of steel mill products seem to overlook the consequences of such action, including consequences certain to be injurious to the steel industry itself. Import restrictions would intensify pressures abroad to restrict foreign imports of American products, including steel mill products and finished manufactures in which steel is used.

Senator HARTKE. Let me ask you a question. Would you be in favor of permitting export subsidies such as these for the steel industry?

Mr. HIGHT. No, sir. I do not like it abroad where it occurs——

Senator HARTKE. Now, wait a minute. That would not be restrictive.

Mr. HIGHT. It is another form, is it not, sir?

Senator HARTKE. It is not a restriction.

Mr. HIGHT. You can have an import restriction or an export subsidy.

Senator HARTKE. This is a form of encouraging exports. You are opposed to export subsidies.

Mr. HIGHT. Yes.

Senator HARTKE. Would you be opposed to a two interest rate policy, one for domestic and one which, as other countries use, for the purpose of credit for exports?

Mr. HIGHT. No, sir; I would not like that.

Senator HARTKE. You would not what?

Mr. HIGHT. I would not like that.

Senator HARTKE. You would not like that.

Mr. HIGHT. No.

Senator HARTKE. I want you to know there is a substantial group of people who indicated they might be in favor of it.

Would you be in favor of a centralized banking system in the United States which could provide for different credit arrangements, such as the Export-Import Bank, providing a positive function in this field of providing special discount arrangements for exports?

Mr. HIGHT. This is a difficult field. I think the Export-Import Bank itself feels that they do as much as most other countries do. Now, maybe they do not.

Senator HARTKE. I am not saying what they think. After all, they are a creature——

Mr. HIGHT. They are the experts in the field.

Senator HARTKE. That is right. In other words, we can tell them what to do. We are still representing the people. I know a lot of these administrative agencies think that they run the country, and they pass regulations and new laws on their own and make determinations on how far they are going. But what I am talking about is, are you opposed to new approaches which would make it possible for our American industry to have the same type of incentive for exports that are given to foreign nations?

Mr. HIGHT. Yes. I think there ought to be some coordination of this. I would hate to see a race or a competition in foreign incentives, in export incentives.

My understanding is that the United States now, this was not true some years ago, but the United States now, provides as much incentive for its exports as any other major industrial country.

Senator HARTKE. You would like to go into that, would you?

Mr. HIGHT. Not in detail. Reflecting pretty much what the Export-Import——

Senator HARTKE. If you call your board of directors together someday, I will give them some information which will completely refute that statement. I have been doing it with Brookings Institution people, and we have been having some very enlightened sessions. I mean Brookings has some very good information on this, which, I think, would be very informative to you.

Mr. HIGHT. Yes. I know what Brookings is doing.

Senator HARTKE. Right.

Mr. HIGHT. May I continue, sir?

Senator HARTKE. Yes, sir.

Mr. HIGHT. They would increase doubts abroad regarding the economic strength of the American economy and of the American dollar, and the seriousness of this country's purpose in the Kennedy round and in future trade negotiations. The result would clearly damage our balance-of-payments position and in doing so would probably prolong U.S. restraints on the outflow of investment capital—restraints which the supporters of this resolution believe may be damaging foreign demand for steel.

Need for constructive answers to competition: All who are interested in preserving and increasing the strength of this country's steel industry should be concerning themselves with the steps the industry should be taking to increase its competitive position at home and abroad. These steps should be based on the premise that legitimate international competition will not be restricted by Government action and that trade barriers affecting this industry will be consistently and substantially lowered both here and in the other economically advanced countries of the world. It sounds like a platitude, sir, but I think that is the basis on which we have to operate. Where import competition expands to the point of causing serious injury to the steel industry as a whole or to participating companies or groups of workers, Government instrumentalities have been established by Congress to cope with such contingencies. You spoke on the trade adjustment clause in the Trade Expansion Act——

Senator HARTKE. Are you familiar with my bill, S. 1333?

Mr. HIGHT. Not by that number.

Senator HARTKE. That is the test for adjustment assistance.

Mr. HIGHT. Yes, I have read it, sir.

Senator HARTKE. Are you in favor of that bill?

Mr. HIGHT. I think so.

Senator HARTKE. Should this test for the escape clause relief also be eased to give some meaning to the escape clause procedure in the Tariff Commission which, in its established role——

Mr. HIGHT. I think it is probably necessary that the criteria be changed somewhat on the trade adjustment act.

Senator HARTKE. I am not too sure your board of directors is going to be very happy with that answer, either, but that is all right.

Mr. HIGHT. We have discussed it, sir. We have discussed it.

Senator HARTKE. All right, fine.

Mr. HIGHT. These should be used, not bypassed. The same applies to protection against injurious dumping, and in this respect the criteria used by the Treasury Department should be economically sound and should treat fairly the interests of all parties concerned, including the national interest itself. We take this opportunity to express once again our committee's support for negotiation of an antidumping agreement which commits all participating countries to standard criteria, after all. We do think this is extremely important.

In summary, we feel that the tone of the resolution before this committee is protectionist. It suggests that such problems as the steel industry faces could be alleviated or solved by the imposition of import restrictions. This, we believe, would be an apparent palliative and not a real cure. For the greatest trading Nation in the world and the most productive Nation in the world, a strong and competitive steel industry is essential. The effort of the industry and the Government should be directed toward building such strength and not toward insulating the industry from the rigors of competition. In our view, that course of increased protection is a dead end.

Senator HARTKE. Let me say to you, sir——

Mr. HIGHT. Protectionist is a strong word

Senator HARTKE. What about cartel? What about those other countries, are you just applying everything to our side of the fence? Are you not in favor of fairness on both sides?

Mr. HIGHT. Absolutely, sir; absolutely.

Senator HARTKE. Why, then, are you saying that this is protectionist when you do not protest cartels? You do not mention cartels in your whole statement. You do not mention things which absolutely would be against common decency, and against common practice here, and certainly illegal. There is no mention about the fact that these cartels are being established overseas. Why don't you say something about them?

Mr. HIGHT. Sir, we are operating within the United States. These are matters——

Senator HARTKE. No; these are international cartels.

Mr. HIGHT. Those are matters for negotiation. Not my negotiation but the executive department's negotiation. I cannot negotiate with the British or the French or the Italians.

Senator HARTKE. Are you afraid of the facts?

Mr. HIGHT. No, sir. I made a trip there a year ago.

Senator HARTKE. Why are you afraid of a study?

Mr. HIGHT. I made a trip a year ago protesting European trade barriers.

Senator HARTKE. Let me say this to you: I am certain you are an effective and a very intellectual man, and I am sure if the facts come out in this situation that you certainly would be able to take these facts to the Finance Committee and, even though you might pre-judge me in one way or the other, you would be able to persuade them to act and operate on the facts. Why would you be so fearful——

Mr. HIGHT. I do not object to the facts.

Senator HARTKE. Why would you be so fearful of having the truth out here?

Mr. HIGHT. I am not, sir.

Senator HARTKE. So that all the American people and the Congress can understand what is going on. What is there wrong with a resolution which sticks to established facts?

Mr. HIGHT. Mr. Chairman, you have asked that question of a number of witnesses.

Senator HARTKE. That is right.

Mr. HIGHT. And I think we all have the same position. We welcome facts; we welcome facts.

Senator HARTKE. Why do you put out these sologans like, "protectionist"?

Mr. HIGHT. Sir, if one reads the resolution where does it lead?

Senator HARTKE. I could take this statement and just say, which I won't——

Mr. HIGHT. Where does it lead?

Senator HARTKE. I won't say this, but I could say that this is an anti-free-trade statement, that it is a procartelization statement and a proexport subsidy——

Mr. HIGHT. No, sir.

Senator HARTKE. And a pro-two-interest-rate policy for foreigners statement, but I won't say these things about it. I do not put these types of tags on this type of a situation. But you put "protectionist" on this resolution because it asks for the facts.

Mr. HIGHT. No, sir; because I think it leads directly to restrictions.

Senator HARTKE. It won't lead to restrictions unless the facts show that restrictions are necessary.

Mr. HIGHT. I do not believe in restrictions.

Senator HARTKE. You do not believe in any restrictions?

Mr. HIGHT. I think there are other things to do.

Senator HARTKE. For example?

Mr. HIGHT. I think that the industry should make the necessary adjustments——

Senator HARTKE. For example?

Mr. HIGHT (continuing). To world competition.

Senator HARTKE. For example?

Mr. HIGHT. We should strive for fair world competition, and I think the U.S. Government ought to be sure that it is fair world competition.

Senator HARTKE. All right.

Mr. HIGHT. And that is precisely what we hope is going on in the Kennedy round.

Senator HARTKE. And the industry has just said that, as I understand it, they would be willing to compete worldwide as long as they were treated fairly.

Mr. HIGHT. I have heard that from the industry; yes, sir.

Senator HARTKE. You do not believe them?

Mr. HIGHT. I do not know; I do not know. I would like to see what comes of this Kennedy round. As you know, there is a particular sector on steel, and this is a matter of direct negotiation.

Senator HARTKE. I understand.

Mr. HIGHT. And I think the U.S. Government, in its negotiators, will get fair and equitable treatment. I hope so.

Senator HARTKE. I hope so, too. I voted for the law.

Mr. HIGHT. We encouraged the law, too, of course.

Senator HARTKE. I hope so. I did not vote for it and hope it would be a failure.

Mr. HIGHT. Well, I think, sir, that is about all I have to say. I have nothing more.

Senator HARTKE. Well, I would hope, sir——

Mr. HIGHT. May I add one thing?

Senator HARTKE. Go ahead.

Mr. HIGHT. My main objection to this is, where does it lead?

The Congress asks for a special study of the steel industry. Should it not then ask for a special study of the shoe industry, of the glassware industry, of the pottery industry, or a host of industries which, over the years, have complained about import competition and increasing imports? You can show it in a number of these industries.

Senator HARTKE. I have no objection to our finding out the facts about any damaging, irresponsible action by foreign governments or cartels, which injure any domestic industry and treat them unfairly. If there is such evidence shown, I think the proper place to go, among others, is to the Congress.

Now, if you are going to deny that right to us, we certainly might as well abolish Congress. What is the purpose——

Mr. HIGHT. No, sir.

Senator HARTKE. What is our whole purpose here?

Mr. HIGHT. That is not what I said. I agree with what you are saying, of course.

Senator HARTKE. Let me point out something to you. I am not the one who has pointed out that steel imports are one of the major factors in our unfavorable balance-of-payments situation.

Mr. HIGHT. So are many other items.

Senator HARTKE. No, I do not know of any other industry which has been picked out by the administration and identified, but this one has by the Secretary of the Treasury. Whether they intended to do is or not, I am not sure, but they did; by the Chairman of the Council of Economic Advisers, and in the Commerce Department by speeches by various people. They pointed out the tremendous increase, and one of those statements was read here by Gardner Ackley. He is a competent individual and a fair person, and I do not think that he did this because of the fact that he felt that this was only an example. He did it because it represents a big segment of the problem, that is all.

Mr. HIGHT. That is right, sir; but other industries do also. Tourism certainly does. That has increased, as we all know, over the years, and I suppose that, I know that, the deficit on tourism is larger than the deficit on steel.

Senator HARTKE. About $2 billion.

Mr. HIGHT. You can take coffee, for instance. We could cut off coffee and balance all the payments or we could cut off, perhaps, sugar.

Senator HARTKE. I am not talking about cutting off anything.

Mr. HIGHT. Cocoa or any other things.

Senator HARTKE. You do all of the prejudging. You do the prejudging in terms of and in light of your own satisfaction. That leads me to a very, very difficult position because I would hate to think you are not really interested in free trade after you make such fine pronouncements for it.

Mr. HIGHT. You can be assured I am, sir.

Senator HARTKE. I am interested in your fairness.

Mr. HIGHT. You can be assured I am, sir.

Senator HARTKE. I am going to give you some more time, and I am going to recess these hearings. You make a reexamination and see if you can come up with some suggestions of what can be done to keep these other nations, like those in the Common Market, from acting irresponsibility in the field of tariff barriers in the middle of negotiations, if you want to make suggestions along that line.

Mr. HIGHT. We studied this for the last year and 2 years. There are no good answers, I do not think.

Senator HARTKE. Well, I will say one thing.

Mr. HIGHT. We are in the middle of negotiations. We are quite hopeful.

Senator HARTKE. In the recent testimony by people who want to do nothing because they are prejudging any study of the situation to failure, this is a most amazing philosophy. It is the most amazing I have ever seen. I do not understand how anybody can say, "Well, I know we can't find the answers so we are just going to let everything go down the drain."

Now, this is absolutely the most pessimistic attitude I can see. I would like to see the facts. Now, if the facts do not justify what you have implied or thought or think that I might have in mind, I am willing to abide by the facts. Why aren't you?

Mr. HIGHT. I am quite willing to.

Senator HARTKE. All right. Let us do that then and have the study and abide by the facts.

Mr. HIGHT. But what you are saying now is a little different from what the study points to. You are asking what we can do about the practices which foreign governments pursue which are unfair, and I can say that the only way that we can do anything is through negotiation; yet there are a number of institutions set up in the world for this purpose, primarily the GATT, and this is the proper place to pursue it. I do not know what we, as private citizens, can do to the French Government, for instance.

Senator HARTKE. I have no further questions.

I am going to ask that the record include at this point that portion of Public Law 87-794, the Trade Expansion Act, which we passed dealing with section 252(b), which reads:

> Whenever a foreign country or instrumentality the products of which receive benefits or trade agreement concessions made by the United States—
>
> (2) engages in discriminatory or other acts (including tolerance of international cartels) or policies unjustifiably restricting United States commerce. the President shall, to the extent that such action is consistent with the purposes of Section 102—
>
> (a) suspend, withdraw, or prevent the application of the benefits of trade agreement concessions to products of such country or instrumentality, or (B) refrain from proclaiming benefits of trade agreement concessions to carry out a trade agreement with such country or instrumentality.

I just want to include that in the record.

Now, as these hearings on Senate Resolution 149 are adjourned by the Senate Finance Committee today, it is important to note that the chairman will keep the record open until June 22, 1966, to accommodate the written testimony of those whose oral testimony could not be scheduled June 2 and 3, 1966.

Chairman Long has indicated to me that extending the record will perform the same service to small industry and union locals as would have the field hearing contemplated for the Gary-Calumet complex. In keeping the record open, the chairman has informed me:

"From the many requests which are coming from those who desire to testify, it is clear that steel imports involve issues which should be explored.

"I agree that we should give steelworkers and small employers alike full opportunity to get their views into the record of the hearings. For this reason, I am directing the staff of the committee to keep the record open long enough to enable them to submit written statements of their positions."

That is a quote from chairman of the committee.

I want to thank all of those who have participated. I want you to know that I have nothing but admiration and good love for all of you. It is with an air of good feeling. It is now 4:30 and we will adjourn.

(Whereupon, at 4:30 o'clock p.m., the above committee adjourned.)

(By direction of the chairman, the following is made a part of the record:)

SUBMITTED BY REPRESENTATIVE RICHARD D. MCCARTHY, OF NEW YORK

My name is Richard D. McCarthy, and I am the Representative of the 39th Congressional District of New York. I am testifying before this Committee in favor of Senator Hartke's Resolution calling for the President to direct that a study of imports of steel mill products be undertaken.

I want to stress at the outset that while I realize that the adverse effects of imports of steel mill products varies widely in respect to the product and the area, the fact still remains that the steel import penetration of the United States market reached an average level of 10.3 percent in 1965. As an example, for wire rods, imports in 1965 accounted for 49 percent of the national market; for wire and products made from wire, imports ranged from 13 percent to 50 percent of the U.S. market.

My own district, which includes most of Erie County and sections of Buffalo in New York has been adversely affected. For example, in 1965, an alarming rise in imports occurred in the major steel-using area comprising the states bordering the Great Lakes. They now threaten to flood this area through the easily accessible Great Lakes ports just as they have flooded coastal areas of the country.

Many steel companies have mills located in my district including the nations' largest producers. They employ thousands of workers and have contributed heavily both to reducing unemployment and to increasing the general economic well being of the Niagara Frontier.

I believe that this import problem is very complex and entails more than a superficial compilation of statistics. Understanding of the development of the steel import crisis in U.S. markets hinges, in part, upon the background of world steel industry development.

Briefly, in the past ten years, world steel output has increased by over two-thirds and world capacity to produce steel has increased even more rapidly. This has left about 100 million tons of capacity to hover over the world steel import and export markets with little chance of this excess diminishing. Much of this new capacity has emanated from Western Europe and Japan since World War II. This is augmented by the rapid development in many less-developed countries of construction of steel mills to attain self-sufficiency in steel production with a primary object of improving their balance of payments situation. In addition, mass steel production is viewed as a status symbol and is often planned irrespective of domestic demand.

In the last decade, the emerging countries in Africa, Asia, and Latin America nearly tripled their steel production and almost doubled their share of world output. Some 20 countries have become steel producers and, as a result, the less developed countries have stabilized their import volume and sharply reduced the import share of their steel supply.

Coeval to the increase in world steel use, total world exports of steel have doubled from 29 million tons of steel mill products in 1955 to over 60 million tons in 1965. The pattern of this trade, however, has shifted drastically away from one of shipments from the industrialized steel-producing countries to the less-developed countries, to an increasing exchange between industrialized nations, with the United States by far the major recipient. In the past ten years, the share of total world imports accounted for by the less-developed countries declined from 50 percent to a little over 20 percent in 1965, while imports into the United States rose from 4 percent to 20 percent of total world trade during the same period. In short, the world's largest steel producer is now the world's largest steel importer.

This situation has occurred for several reasons. Essentially, the new production of steel in the less-developed countries has displaced imports. And it has been reinforced by the lack of hard currencies and various government devices to restrict imports. In Europe, however, there has been no lack of hard currency, and in theory, their international trade restrictions have been reduced under the successive round of GATT.

While in the United States imports have increased to 10.3 percent of the domestic market, they account for about 4 percent of the ECSC market for steel, 4.5 percent of that of the United Kingdom and and less than 1 percent of Japan's.

The future is not any brighter. Intensification of the efforts of European and Japanese mills to dispose of their steel in the United States seems inevitable unless the U.S. takes action to curtail them. Their home markets, of course, will continue to be protected as may be necessary by various governmental and quasi-governmental measures.

Summarily from my remarks above, I believe that the mass steel imports now flooding this country do not reflect productive international trade. That is to say, it is not mutually advantageous to both exporting and importing countries. Steel mill products are not being imported into the U.S. primarily because there is a great need for them here, but rather because foreign production is in excess of home market needs. The effect on the U.S. is destructive. In other words, such countries are using the U.S. market as a means to further their own social, political and economic aspirations at our expense.

The increase in the volume of imports is staggering. Imports of steel mill products into the United States in 1965 totaled approximately 10,383,000 tons, representing 10.3 percent of the total market. The significance of the volume is extremely revealing since it is equivalent to the combined output in 1965 of the fifth and sixth largest American steel producers which directly employ 79,000 workers.

In spite of the closing of the St. Lawrence-Great Lakes seaports in January, February and March, imports of steel mill products in the first four months of this year were at an annual rate of over 8 million tons. With the St. Lawrence Seaway now open, the rate of imports into the Great Lakes areas for the remainder of the year will undoubtedly increase.

There has been a great deal of concern and controversy about our balance of payments and its causes. The deficit in steel trade can hardly be viewed as anything but a major contributing factor to our balance of payments deficit. In 1965, the value of steel imports exceeded the value of steel exports by $670 million. To this net import figure must be added an additional dollar outflow for freight, since much of the imported steel arrives in foreign ships. And, in addition, the value of the exports should be reduced by the value of the steel sold under AID financing, which does not result in the seller acquiring dollars from foreign sources. When these factors are taken into consideration, the deficit of the steel balance of trade last year approached $1 billion as compared with the total 1965 balance of payments deficit which is estimated at $1.3 billion.

The reasons for the high volume of imports are complex and numerous. The economic and social changes that make up the prices of goods are at different levels in different countries. Wage rates, the prices of raw materials, taxes and interest rates are the most important variables which determine the price of steel. In many foreign steel producing countries the difference in taxation policies in comparison to the United States is a most significant factor. Many of these countries have been exempted from a substantial share of taxes for steel which enters our market to compete with fully-taxed domestic products.

The foreign steel producer, under normal circumstances, can enter the U.S. market only by offering steel products at prices substantially below our current domestic level. This brings up another point. The sale of steel exports to the United States market is being achieved in many cases by commercial practices which are contrary to our anti-trust and fair trade statutes. This is not a supposition on my part. *The Japan Economic Journal* of March 15, 1966 quite fully substantiates my assertion.

"For creating better order in exports of steel products, 27 major steel manufacturers engaged in steel sales in the U.S. market last week decided to establish export cartels controlling prices and quantities of steel exports to the United States."

In sum, Mr. Chairman, I believe that the steel imports problem has reached a critical stage. The present situation more than deserves study now. But even more important is the future. Projection of the present import trend for the next five years would constitute a problem of major proportions for the nation as a whole. Conditions of temporary abnormal demand for steel have no relevance to this long-term trend.

In conclusion, I submit that a continuation of unrestained and mass importation of steel mill products into the United States domestic market is not in the national interest of the United States. I wholeheartedly endorse the proposed study of steel imports.

I would like to urge, however, that the proposed study be conducted by a Congressional Committee or Subcommittee rather than conducted by the Commerce Department with the assistance of other agencies and the steel industry. I believe this approach would not only facilitate needed expediency but would also eliminate any allegations of an industry influenced study. Congress, in the final analysis, will decide whether or not action is needed to curtail steel imports. Consequently I contend that the bulk of study and research should stem from that body with, of course, the assistance of any government agencies of the steel industry when necessary.

Thank you Mr. Chairman for this opportunity to testify before this Committee on what I consider a very important and critical international trade problem.

WEST COAST METAL IMPORTERS ASSOCIATION, INC.,
Los Angeles, Calif., May 31, 1966.

Subject: Senate Resolution 149.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: The West Coast Metal Importers Association wishes to voice its opposition to the above resolution. We feel that the Steel Industry, as such, should not be singled out for an investigation by the Senate. It is our feeling that the Commerce Department and other Agencies of the Government provide machinery for such investigations.

We also do not feel that Senate Resolution 149 recognizes the important contributions imported steel has made to our economy.

1. Imported steel has forced domestic producers and processors to reduce costs to meet foreign competition. Many items of steel would cost the American consumer much more today if the producers did not have to worry about imported products. American producers have been able to do this in many areas and still enjoy profits.
2. Imported steel has provided a source of raw material for American converters who would be out of business if left to the pricing policies of domestic mills in their practice of dual distribution.
3. Imported steel has provided a very important source of material during such crises as strikes, the Korean War and even during the current action in Viet Nam.

Should the investigation be made, it would be our hope that the Importers of steel would be adequately represented so that conclusions could be based on unbiased, objective facts.

Very truly yours,

AL PERRISH,
Chairman of the Board of Directors.

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.,
New York, N.Y., May 27, 1966.

Re Senate Resolution 149.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: The National Council of American Importers wishes to go on record in opposition to S. Res. 149. This proposal is contrary to the general principle that the Congress should not provide for special investigations at the behest of particular American industries when there exists general legislation providing for such investigation by appropriate governmental agencies upon proper application. Furthermore, if there is occasion for a request for such an investigation, this can be accomplished by the Tariff Commission by simple resolution of the Finance Committee of the Senate or the Ways and Means Committee of the House under section 332 of the Tariff Act which was employed in the recent request for investigation of valuation methods by the Tariff Commission.

S. Res. 149 reflects the wide-spread misinformation now prevalent in this country about the true role which steel imports play in the U.S. economy. The Resolution's key "factual" recitals are not statements of fact at all but restatements of incorrect assumptions and baseless assertions that have been officially debunked many times over these past few years.

For the past 10 years or so, steel imports have been regularly singled out for special criticism by protectionist elements in the United States. Steel products have been the subject of a major escape clause proceeding, a major antidumping proceeding, and a host of relatively smaller dumping, "Buy American," and marking proceedings. These imports have also been the subject of extensive public relation campaigns aimed at alerting the U.S. public to the alleged dangers such imports pose to the steel industry and to the U.S. economy as a whole. There is reason to believe that these imports are providing the greatest impetus behind the present drive for crippling amendments to the U.S. Antidumping Act.

The Tariff Commission has decided in two major cases—the wire products escape clause case of 1958 and the wirerods dumping cases of 1963—that these steel mill products imports are *not* hurting the U.S. industry. The Treasury Department has on many occasions rejected claims of the steel industry that foreign steel is being sold in the United States at less than fair value within the meaning and purview of the U.S. Antidumping statute. Public statements about the evil effects of steel imports have been effectively rebutted at every turn.

Despite this, certain segments of the steel industry persist in their efforts to denounce imports and point to them as the reason for the ills, some real but most imaginary, of the steel industry.

We suggest that any study be made by the U.S. Tariff Commission. History has proven the wisdom of Congress in setting up this independent agency to make unbiased, objective studies of the relationship of imports to the U.S. economy. The Commission is particularly well qualified to make this kind of study, and should be given the specific authority to call upon other agencies, such as Commerce, Labor, and Treasury to assist it in its task.

Sincerely,

GERALD O'BRIEN,
Executive Vice President.

SOUTHWEST WIRE PRODUCTS CORP.,
Carrollton, Tex., June 10, 1966.

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D.C.

GENTLEMEN: We are manufacturers of bright basic wire and wire products. Our entire business structure is predicated on the availability of low cost imported steel rod which is the basic material for wire drawing and processing.

It is impossible for us to use wire rod from U.S. producers and then compete with them on finished wire products since the difference between domestic rod prices and domestic wire products prices does not allow enough for the cost of manufacture and distribution.

It is absolutely essential for the survival of our business that we continue to obtain low cost import raw material.

Yours very truly,

W. C. GREEN,
Vice President.

ROBLIN STEEL CORP.,
North Tonowanda, N.Y., June 13, 1916.

To the Honorable Chairman and Members of the Senate Finance Subcommittee.

GENTLEMEN: I want to go on record as opposing the importation of pig iron from Communist Bloc countries.

Because of the desire on the part of these countries to acquire American dollars without regard to the profiability of their operation, pig iron is being sold in the United States at less than cost, seriously jeopardizing our domestic blast furnace industry.

It is my belief that legislation should be enacted which will prevent this.

Sincerely,

DANIEL A. ROBLIN, Jr.

COMMITTEE FOR A NATIONAL TRADE POLICY,
Washington, D.C., June 10, 1966.

Hon. VANCE HARTKE,
Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HARTKE: Looking back on our dialogue during my testimony last Friday, June 3rd, regarding your proposal that the Commerce Department prepare a study of steel imports, I would like to clarify the record regarding certain points of contention. I would appreciate it if you would have this letter inserted in the printed hearings following my oral testimony.

Believing strongly in freer international trade, our Committee has consistently and vigorously urged sustained and substantial lowering of trade barriers not only by the United States but also, on a reciprocal basis, by the other economically advanced countries of the free world. The policies and programs we have urged have in no sense been confined to opposition to U.S. import restrictions. We have opposed various EEC import restrictions for some time, and I am sure that, somewhere along the line of the countless statements and speeches written and unwritten, by various members of our Committee, the controversial EEC tariff on steel has more than once been vigorously criticized.

Yet, as I said at the hearings, we are Americans, operating in the U.S. and are not constituents of foreign governments. We cannot, therefore, have much influence on their policies. What we can do and do do by public education here is to strengthen the hand of the U.S. negotiators in their dealings with foreign governments by making it clear that there is a strong body of opinion in the U.S. that the agreements made should be as liberal as possible—with full reciprocity.

If the purpose of your hearing was to examine the whole range of problems facing the American steel industry, then we would certainly have mentioned the EEC problem in our prepared statement. But the whole range of problems facing the American steel industry seemed not to be the subject of your hearing; it was not the subject of your proposed Resolution. As our testimony indicated, the many and substantial gaps in the Resolution, as well as its apparent purpose, were the major reasons for our opposition to S. Res. 149 as written. Not even the vitally important subject of foreign trade barriers or objectionable foreign business practices of an anti-trust character—problems to which you devoted much attention during the hearing—were mentioned in the proposed Resolution.

The kind of depth study which we proposed in our testimony, covering *all* aspects of the strengths and weaknesses of the competitive position of the American steel-mill-products industry both at home and abroad, would be the kind of study from which could come the facts and judgments required for finding *constructive* answers to the problems of the steel-mill-products industry consistent with the imperatives of the national interest.

Our Committee is for determining and understanding all the facts, not just those facts that lend themselves to increasing the strong pressure already in effect and developing the stronger pressure sure to come for increased U.S. import restrictions against imports of steel mill products.

The kind of study we urged would get at *all* the significant facts and seek answers to the problem which would not impair the expansion of world trade and increasing cooperation among nations. The kind of study outlined in S. Res. 149 falls considerably short of that objective.

I look forward with considerable interest and anticipation to future dialogues with you on this and other aspects of U.S. foreign trade policy.

Sincerely yours,

JOHN. W. HIGHT, *Executive Director.*

FLORIDA WIRE PRODUCTS CORP.,
North Miami Beach, Fla., June 16, 1966.

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D.C.

GENTLEMEN: We wish to express our thoughts on Senate Resolution Number 149, presently before your committee.

Our Company employs approximately 30 persons and is engaged in the business of drawing wire from wire rod and further fabricating the wire into welded wire reinforcement.

Since inception, we have been able to stay in business and make a profit due to the availability of low cost imported wire rod, due to the fact that our main competition in finished product comes from the integrated domestic steel makers. To attempt to purchase raw material from the domestic steel industry and compete with them on the finished product is an impossibility.

We, therefore, wish to go on record with your committee by stating that any restriction of imported low cost raw material would allow the domestic integrated steel makers to force us out of business.

Respectfully submitted.

J. A. REAGAN, *Vice President.*

SUBMITTED IN BEHALF OF ITALY-AMERICA CHAMBER OF COMMERCE, INC.

June 21, 1966

MEMORANDUM ON STEEL IMPORTS FROM ITALY

The Italy-America Chamber of Commerce, Inc. is a voluntary and independent association, which has the objectives of fostering close and mutually advantageous trade relations between the United States and Italy. The Chamber's membership comprises firms and individuals who have established business activities in foreign trade and services with Italy. These include: importers-exporters, agents of Italian manufacturers, United States corporations with subsidiaries in Italy, United States firms with business interests in Italy, banks, shipping lines, airlines, etc. Although U.S. imports of steel and steel products from Italy are small when compared with imports from other steel-producing countries and represent only a negligible fraction of U.S. imports, the Chamber wishes to file this statement because S. Res. 149 specifically mentioned Italy among the countries whose steel mill products were imported in increasing quantities during the first six months of 1965.

The resolution introduced by Senator Hartke on September 28, 1965, raises a number of questions which we wish respectfully to call to the attention of the Senate Finance Committee:

(1) The proposed resolution seems to ignore the basic economic fact that foreign trade is, and must be, at least a two-way street: if we favor the expansion of U.S. exports, we must also favor expansion of U.S. imports.

(2) S. Res. 149 seems to stress the economic significance of the balance of trade, rather than the balance of payments, and it isolates the trade of one sector alone: imports and exports of steel and steel products. Again, it is clear that the balance of trade cannot be considered in isolation, as unfortunately and too convincingly demonstrated by the balance of payments deficits of the U.S. during the last several years: In effect, the U.S. exports exceeded its imports in 1965 by $4.8 billion—even though the balance of payments during the same year shows a substantial deficit. The reverse is generally true for Italy, whose bal-

ance of trade is in deficit while its balance of payments is in surplus (during the period 1955–1965 the Italian balance of trade had a cumulative deficit of $11.6 billions; its over-all balance of payment, on the other hand, showed a substantial surplus).

(3) Bilateralism, like autarchy, is uneconomical and does not justify, at least in the long run, Government measures restricting trade. However, because the proposed resolution refers in particular to steel mill product imports from a few individual countries, including Italy, it may be pointed out, for example, that the bilateral balance of trade between the U.S. and Italy in recent years has showed a surplus for the U.S. (For instance, in 1965, the U.S. had a trade surplus vis-a-vis Italy of almost $246 million, while U.S. imports of steel and steel products amounted to less than $30 million.) It seems hard to understand why, if Italy is generally buying more from the U.S. in any given year, the U.S. should single out steel products, complain about their coming from Italy to the U.S., and try to restrain them. Furthermore, if imports of steel from Italy and other countries are cut down it will tend in the long run to cut down the trade surplus in U.S. trade with countries such as Italy.

(4) A commodity-by-commodity and/or a sector-by-sector balance of trade is, in our opinion, an even greater economic absurdity. (If we should undertake to balance steel imports and steel exports, textile imports and textile exports, grain imports and grain exports, etc., etc., we would in fact try to achieve not even bilateralism but straight barter and, what is even worse, barter of commodities of the same kind, i.e., we would undertake to achieve an impossible situation which would hardly be beneficial either to the United States or the countries with which it trades—or wishes to trade.) However, again because of the fact that steel imports from Italy have been singled out, with others, as one of the reasons for the suggested investigation of the steel imports, it should be pointed out that the bilateral balance of trade between the U.S. and Italy shows quite different results if one considers not only *direct* trade in steel products but, also *indirect* trade in the related sectors, including steel making materials and equipment. If we consider the volume and value of steel imports from Italy, one should consider also the volume and value of U.S. exports which are directly related to the steel produced in Italy, i.e., coal and equipment. The results of such an investigation would show that in 1965 net U.S. imports of steel and steel products from Italy ($29 million imports, $9.8 million exports, net imports $19.2 million) represented only a fraction of U.S. exports directly related to steel production in Italy (scrap $20.7 million, coal est. $54 million, equipment est. $15 million, total $89.7 million).

The same reasoning, of course, applies to the other countries mentioned in S. Res. 149.

(5) As for the scope of the proposed investigation, the draft resolution lists some of the alleged and possible adverse effects of steel imports in the U.S., but conveniently ignores the important beneficial consequences of such imports. First, and most important, it ignores the anti-inflationary and price-stablizing impact of imported steels, which benefits users as well as consumers in the U.S. Second, and more specifically, it ignores the impact of these imports on the import-related services and industries, as well as on the labor supply and employment.

(6) It seems obvious that the U.S. competitive position in the world cannot be adequately studied unless the investigation is compresensive enough to take into consideration all significant factors of the U.S. as well as of the foreign steel industry. As the spokesman for the U.S. Department of Commerce pointed out, a more useful study should investigate why steel imports have taken an increased share of the U.S. market and would necessarily include the steel industries of the U.S., the United Kingdom, the EEC countries and Japan. Such a study, he convincingly indicated, would cover country and regional product line costs, operating margins, selling prices, wage rates, productivity, unit labor costs, employment, investment, capital costs, capacity-profit relationships, flow of funds, new technology, raw materials costs, demand and the influence of these factors upon growth trends of steel production, imports, exports and profits. Only a study which would investigate *all* the factors listed above, including the beneficial impact of the U.S. steel pricing and selling policies on the U.S. economy, concurrently with the importation of relatively small amounts of foreign steel, (i.e., a study substantially broader, in conceptual as well as in geographic scope, than the Report on Steel prices prepared by the Council of Economic Advisers

in April 1965), would throw useful light on the overall effects of steel imports and the competitive situation of the U.S., vis-a-vis foreign industries.

(7) During the hearings substantial opposition has been voiced to the recommendations that the proposed study of imports of steel mill products be undertaken by the Department of Commerce, utilizing appropriate federal agencies. Several alternative suggestions have been made. The American Iron and Steel Institute suggested a Congressional group, while the spokesman for the workers suggested a presidential board; other suggestions were in favor of the Tariff Commission or the Inter-Agency Trade Organization. It seems that the Inter-Agency Trade Organization is perhaps the best qualified organization, if an investigation is believed to be necessary, although the Tariff Commission would have perhaps the greatest experience and expertise because of its statutory responsibilities and past activities in some of the fields listed in S. Res. 149.

CONCLUSION

In conclusion, because of the considerations summarized above and in the interest of our commercial and political relations with our friends and allies in Europe and in Asia, we hope thatr no investigation of the steel imports will be conducted—at least not within the narrow framework recommended by S. Res. 149. If a broader and more comprehensive investigation is decided upon so as to cover the whole U.S. steel economy as well as the steel economies of competing countries, we trust that the investigation, carried out by the appropriate organs of the Executive Branch, wil not be *a priori* aimed at reaching protectionistic recommendations which would be incompatible with the letter and spirit of the Trade Expansion Act.

JONES & LAUGHLIN STEEL CORP.,
Pittsburgh, Pa., March 9, 1966.

HON. RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR LONG: You may be interested in the enclosed announcement, released to the press on March 2.

Elimination of a product line in which our company had been active for 113 years did not come lightly, but careful study disclosed no practical way for J&L to manufacture nails on a profitable basis in competition with the uneconomic pricing of foreign manufacturers.

While we have failed so far to convince many people in our Government of the long-range undermining of the American economy inherent in a weakened domestic steel industry, the closing of our nail mill makes us increasingly determined to gain understanding of the problem.

Sincerely yours,

HERBERT JOHNSON.

NEWS RELEASE, PUBLIC RELATIONS DEPARTMENT, JONES & LAUGHLIN STEEL CORP.

PITTSBURGH.—Jones & Laughlin Steel Corporation today announced that, due to foreign competition, it will no longer make nails, a business in which it has engaged since its founding 113 years ago.

In announcing the move, William J. Stephens, President of J&L said:

"About fifty per cent of the 1964 consumption of nails in this country came from abroad, and the percentage was even greater in 1965. The mounting impact of foreign competition, has put us in a position where we cannot sell a sufficient volume of nails on a profitable basis to stay in that business. Having already stopped making fence products in 1965 for the same reason, J&L will now be completely out of the merchant trade wire business, one of our traditional lines."

The list of imported steel mill products now includes all the major products made in this country. The volume of foreign steel imported in 1965 was more than twice the total tonnage produced and shipped by Jones & Laughlin last year.

Shutdown of the nail mill, which now only employs less than 100 workers, is expected by March 31. All possible arrangements are being made to provide other employment, J&L said. Before foreign nails made such large inroads in the domestic market, the nail department employed about 300 workers.

Mr. Stephens also pointed out:

"The closing of the nail mill will adversely affect the excellent product diversification of the Aliquippa Works, a condition credited for the plant's unusual record of employment stability through good business cycles and bad.

"Reduction in the number of products we offer for sale is a threat to jobs for our men, the families they support and the rewards they enjoy from their labor," Mr. Stephens concluded.

J&L's nail mill, rated among the largest in the industry, has been located at Aliquippa since 1910. Its monthly production capability was more than 6,000 tons of nails. Typical monthly production recently was approximately 800 tons.

J&L estimated that since 1853, it has made more than 555 billion nails, enough to build more than eight million frame houses.

JONES & LAUGHLIN STEEL CORP.,
Pittsburgh, Pa., June 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your notice of hearings on Senate Resolution 149, Jones & Laughlin Steel Corporation wishes to supplement the testimony submitted by the American Iron and Steel Institute and the Tool and Stainless Steel Industry Committee. We endorse the testimony of these witnesses. We feel that in addition some examples of the impact of steel imports on the markets of a particular company many be useful in your deliberations. I believe you will agree that there is no substitute for the loss of markets.

By way of background, we should identify Jones & Laughlin Steel Corporation as the 6th largest steel producer in 1965 in terms of steel ingot production. We have manufacturing, mining and fabricating operations in 14 states and Canada, and in addition operate 80 steel service centers, specialty warehouses and supply depots in many cities scattered throughout the United States. J&L sales approximate $1 billion.

Jones & Laughlin Steel Corporation is a fully integrated steel company and manufactures all principal steel products except heavy structurals, heavy plates and rails. Included in our product line until recently was a line of merchant trade wire products such as nails and staples, barbed wire and woven wire fence. Within the past two years we have eliminated these products from our line of manufacture because we have not been able to meet the price levels established by foreign competition. Our experience is not unique and the impact of foreign steel on domestically produced merchant trade wire products has been felt widely throughout the industry. For example, by the end of 1964 imported woven wire fence represented 28% of the domestic market. Imported barbed wire represented 48% of the market. In the case of nails and staples these imported products represented 50% of the domestic market. The monthly production of our nail mill, which was one of the largest in the industry, formerly approximated 6,000 tons per month. Just prior to the shut down of this mill this year, our average monthly production was approximately 800 tons. These examples of products historically made by this company which we no longer make due to steel imports can be regarded as case histories of what may happen to other products and to other companies. A case in point in the domestic market for wire rods. The last figures we have indicated that approximately 1.3 million tons of rods were imported last year, representing almost 50% of the domestic market. We are an important producer of wire rods and have through a combination of capital spending and profit sacrificing price reductions maintained our position in terms of production, but not in terms of reasonable economic return. Incidentally, we should point out that over the past 10 years we have spent more than $750 million for expansion and cost reduction facilities involving new technology and new processes throughout the company. This is cited to prove the point that we are not seeking protection for obsolete equipment and inefficient plants and facilities.

The examples which we have cited can be duplicated elsewhere in the industry. They are submitted now to provide focus by product illustration of the partial impact of steel imports on one company statistically included in the industry testimony by the American Iron and Steel Institute witness.

There is cause for further concern as we look into the future. The merchant trade products are used in the form imported as they are finished products. In addition, there is rapid growth in the importation of millions of tons of other steel mill products, such as sheets, plates, shapes, and tin plate that are imported to be further fabricated in the United States before being assembled into the end product. Our observation is that steel production and manufacturing interests abroad always try to add additional man hours to their exported product to increase its value. Thus, the problem of the future might also be the importation of fabricated steel products. The economic reasons that exist for steel consuming metalworking industries to operate in the United States will become less and less valid, if the steel they consume is to be produced by foreign steel mills. The obvious alternative would be for American fabricators to produce their steel components abroad.

It is our view that a study of the steel import situation to include the various subjects suggested by the American Iron and Steel Institute is necessary in order to produce a factual basis on which to determine the need for remedial action by our government. Among other things, this study will reveal the cyclical nature of the steel industry and the varying economic and employment impact which will be imposed by steel imports in periods of lesser steel demand than experienced in the last two years.

Sincerely,

CHARLES M. BEEGHLY.

JUNE 15, 1966.

Subject: Senate Resolution No. 149

Senator VANCE HARTKE,
U.S. Senate,
Washington, D.C.

DEAR SIR: We operate an independent wire mill that is primarily engaged in the converting of high carbon spring wire for the manufacture of bed and furniture springs. Our prime competition in this industry are the domestic integrated steel companies and foreign importers of the finished spring wire. In order for us to obtain the necessary amount of this business, being a small independent mill, we must sell our wire at less than the domestic price, at the same time, maintaining equal or superior quality.

The domestic base price for the wire is $9.00/cwt and the domestic raw material (rods) is approximately $8.24/cwt. Due to the obvious fact that it is not possible to profitably operate our business on a 9% gross operating profit, we must purchase our raw materials at the lowest price from the world markets.

We are certainly against "dumping", however, I am sure you realize what would happen to the independent wire mills, such as ours, if restrictions and embargoes were placed on the imports of steel rods.

Our policy is and has been "buy American" and we are constantly requesting prices from the domestic mills in an effort to obtain a competitive price that we can live with; but because they are our prime competition in the finished product, they do not, and apparently will not, negotiate the price on a competitive basis. This brings up an important point—because of previous indications, if all imports of steel rods were stopped, we do not believe the domestic integrated mills could supply the independent mills with their requirements. In obtaining price and delivery information, in every case, the domestic mills have reduced the required quantities, plus offered extended deliveries that we could not live with. This, to us, means that they either do not have sufficient production capacities or, for competitive reasons, do not wish to supply us.

We believe it would be most unfair if the independent mills are restricted from competing for this raw material available on the world market, while at the same time, the domestic integrated mills are allowed to purchase their raw materials, iron ore, without restrictions, from the world markets.

Sincerely,

H. E. DAILY,
General Manager, Isamco Wire Products, Inc.

FALCON FOUNDRY CO.,
Lowellville, Ohio, June 15, 1966.

Subject: The merchant iron industry of the United States.

Hon. Senator HARTKE,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR HARTKE: My name is Ralph W. Skerratt, and I am writing to you as president of a small non-ferrous foundry in the small village of Lowellville, Ohio, where we employ less than 100 people, and are engaged in the manufacturing of copper and bronze castings for the iron and steel industries of this great nation.

I have recently been reading in the trade journals, and have been talking to my close friends about the sad state of the merchant iron business in this country. The alarming decline in the production of merchant iron during the past ten years in this country is of extreme concern to Falcon Foundry Company since a decline in the merchant iron business means a decline in one of our product lines. We also note with great alarm that the importing of pig iron has been growing by leaps and bounds during the past five years.

There seems to be something wrong with our tariff structures when American exporters of pig iron to the common market must pay approximately $7.00 per ton tariff, whereas our government charges less than 20¢/ton on iron imports from the free nations in the common market. What is even more alarming is that pig iron imports from the communist countries has been accelerating during the past couple of years. While we do not pretend to know all of the ramifications of our State Department commitments, we do not feel we can sit idly by without registering a protest against the tariff iniquities which cover our export and import of merchant iron.

The total imports of between 800,000 and 900,000 net tons in 1965 cost the American people 4,000 to 5,000 direct jobs and again this number in allied suppliers' jobs.

We are able and vital manufacturers of tuyeres for blast furnaces and we have noted with alarm and genuine concern that the iron and steel companies of this country have scrapped 10 merchant iron blast furnaces during the past ten years. I feel strongly that this somehow must affect our general national economy and certainly does not register on the asset column of our national preparedness program.

As the president of Falcon Foundry Company concerned with the welfare of our small corporation as suppliers to the merchant iron blast furnaces, we would seriously petition you as chairman and the other members of the subcommittee currently looking into this vast problem to immediately rectify the tariff iniquities surrounding the movement of pig iron.

It is most difficult to understand our vigorous campaign to stop communism and the threat of communism throughout the world and still permit imports from behind the Iron Curtain.

We must provide the sick merchant iron business of this country with tariff safeguards that will enable them to once again consider expansion of their facilities rather than contraction of their facilities.

Please believe me when I state, in closing, that Falcon Foundry Company, while a very small company, does have a vital stake in the health and welfare of the merchant iron industry of this great nation.

Respectfully yours,

RALPH W. SKERRATT, Jr.
President and General Manager.

A. P. GREEN REFRACTORIES CO.,
Mexico, Mo., June 14, 1966.

Hon. VANCE HARTKE,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR HARTKE: Our Company produces refractory materials which are used primarily in lining all kinds of furnaces. Our largest customer industry is steel, producers of pig iron as well as all types of steel. The refractories industry is a very basic and important one in our United States economy.

Naturally we are very sensitive to the demands of our customers, especially the steel industry group.

We are quite concerned with the continuing increase of imports of pig iron and the steady decline of domestic shipments. In the year 1965 we note that total imports in net tons were 23% of domestic shipments. Ten years ago in 1956 imports were only 4.1% of domestic shipments. Each successive year since 1961 shows a steady increase of imports over domestic shipments, with 1965 showing an all-time high.

The most alarming fact in studying the figures of imports is that we now are receiving a surprising quantity of iron from the Communist bloc countries. Before 1964 very little pig iron came from the Communist group, but in 1964, 57,182 net tons was shipped in from Russia and East Germany; in 1965, it was 116,477 tons, and in the first three months of 1966 it has been 65,326 tons against none in the first three months of 1965.

Even in the case of imports of iron from the Common Market countries we note that the import tariff is 20 cents per ton, or about .3% of the value, whereas the tariff on iron going into the Common Market is $7.00 per ton, or about 11% of the value. In addition the Common Market producers have a discount clause in their sales contracts which practically precludes any importing of pigiron.

As a company and as an industry, we certainly endorse the viewpoint expressed by producers of pig iron in this country, recommending action by the Senate Finance Committee that steps be taken to prevent further deterioration of this very basic industry in our country. Such steps are certainly indicated in view of the current status of balance of payments and the need for job security of the production employees in the United States.

Sincerely,

W. S. LOWE.

CONSOLIDATION COAL CO., INC.,
Pittsburgh, Pa., June 17, 1966.

Hon. VANCE HARTKE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HARTKE: Living in a large steel-producing area and with the steel industry as one of my Company's largest customers, I am keenly aware of the uncertainties caused by the growing volume of steel product imports.

Continually, I hear about these imports displacing domestic steel markets and steel workers; adversely affecting steel profits and capacity expansion. These developments are highly disrupting to steel as they would be to any industry and their negative effects will multiply with each increase in the tonnage of foreign steel received in this country.

One example of the displacements caused by imports is in the production loss experienced by the American merchant pig iron industry. In 1965, shipments of pig iron by this industry amounted to 3.9 million tons but pig iron imports were 0.9 million tons, or 23 percent as large. In 1956, pig iron imports were only 4 percent of domestic shipments. Imports of pig iron are still increasing in 1966 to reduce further the output of the merchant pig iron industry.

Steel is a vital component in the American economy. It should not be surrounded by uncertainties such as the steel imports have generated. I am convinced that we should have the facts on these imports to measure their current and project their prospective impacts on the steel industry. It is for this reason that I support your resolution to conduct a study on the effects of steel imports on the economy.

Sincerely yours,

G. A. SHOEMAKER, *President.*

ROCHESTER & PITTSBURGH COAL CO.,
Indiana, Pa., June 14, 1966.

Hon. R. VANCE HARTKE,
Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR HARTKE: It is my understanding that your Committee is presently holding hearings with respect to the effects of iron and steel imports on the economy of our country.

As a supplier of bituminous coal and beehive coke to United States manufacturers of iron and steel, I believe our company has a direct interest in the subject matter before your Committee.

To the extent that foreign imports of iron and steel result in the curtailment of U.S. production, our company stands to lose our present and prospective business with such United States iron and steel manufacturing companies, and therefore decrease employment of U.S. citizens in a country whose balance of payments is adverse.

Accordingly, we respectfully request that your Committee give consideration to this aspect of economic impact of foreign imports of iron and steel and that such action be taken by your Committee to prevent excessive imports of these articles to the detriment of our domestic iron and steel industry as well as we basic suppliers of raw materials.

Very truly yours,

C. J. POTTER.

AMERICAN ALLSAFE CO., INC.,
Buffalo, N.Y., June 13, 1966.

HON. SENATOR VANCE HARTKE,
Senate Office Building,
Washington, D.C.

DEAR SIR: The American Allsafe Company of Buffalo, New York is a small business supplying industrial safety equipment to industry throughout the United States and one of our largest outlets is the steel and blast furnace industry.

We have become seriously concerned over the increasing imports of iron and steel into our country and I believe that you will be interested to know that any decrease in iron and steel production in our country caused by foreign imports will affect not only the industry itself, but thousands of small businesses like ourselves who depend to a large extent on the steel plants who are large users of our safety equipment.

We sincerely hope that you and all others concerned will do everything possible to protect our iron and steel industry from the growing inroads of foreign imports.

Thanking you,

Respectfully,

NORMAN J. TAYLOR, *President.*

THE E. W. BLISS CO.,
Canton, Ohio, June 18, 1966.

HON. VANCE HARTKE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR HARTKE: I am writing in reference to hearings now being conducted by your committee relative to the effect of iron and steel imports on the economy of the country.

E. W. Bliss Company, a diversified manufacturer of equipment for the metals industry, has carried on a continuous marketing and purchasing relationship with every facet of the ferrous metals industry for over a century, and have been particularly dependent upon competent domestic merchant pig iron producers for this important raw material for a considerably longer period.

I urge you and your committee to be diligent in your deliberations to assure that nothing will jeopardize our reliable domestic sources of supply for raw, semi-finished and finished ferrous products.

Very truly yours,

CARL E. ANDERSON,
Chairman and President.

[From the London Financial Times]

STEEL IMPORTS BEING WATCHED

(By Our Industrial Reporter)

THE IRON AND STEEL BOARD is keeping a close watch on rising imports of steel, particularly from European mills who are quoting keen prices to clear surplus production.

Imports of iron and steel in the first four months of this year increased by 43 per cent. in volume terms compared with the same period a year ago.

The low level of prices for imported steel supplies is reflected by the fact that, by value, shipments into Britain in the four-month period were worth less than 25 per cent. more than a year ago—and they were subject to the import surcharge, too.

U.K. steelmakers, who are now engaged in a price struggle for the home sheet market, in spite of the Steel Board's sanction for a 4 per cent. rise in April, have been watching the trend of imports for evidence of "dumping."

Earlier this year the Iron and Steel Federation gave a warning that full-blooded dumping had started to spread and "must be expected to grow still more in the months ahead."

If the import situation worsens—some 527,000 tons, came in between January and the end of April against 368,000 in the corresponding weeks of 1965—then the Federation may ask the Board of Trade to see if there is a case for deploying anti-dumping legislation with more swiftness than in the past.

British customers for imported sheet steel, for example, have taken 121,871 tons up to the end of April compared with only 75,018 tons last year.

REASONS FOR THE RISE

Among the reasons being suggested for the rise in imports in spite of the surcharge deterrent are:—

1—Anticipatory buying at low prices while the Government consulted the Steel Board about the April price increases.

2—Aggressive marketing by Continental producers faced with problems of surplus productive capacity.

3—Heavily committed U.K. tube makers being forced to bring in marginal supplies to complete contracts and retain goodwill of both home and overseas customers.

Countries which have been sending far more iron and steel products to Britain include Belgium, the Netherlands, W. Germany, France, South Africa and Norway.

The Steel Board is believed to regard the level of imports with some disappointment, particularly after last year's substantial cutback from 1964's unusually high levels.

It remains to be seen whether the trend upwards continues in the remaining months this year. April imports were down on March and the subsequent abandonment by some steel producers of rigid adherence to the Board's maximum prices may help check sheet imports.

What is equally discouraging is that imports have risen without a compensating improvement in exports.

Exports in the first four months of 1966 fell by 12 per cent. to just over 1.1m. tons, a reflection of the tough competition being experienced in world markets at a time of surpluses.

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