# TARIFF AND TRADE PROPOSALS

## HEARINGS

BEFORE THE

## COMMITTEE ON WAYS AND MEANS
## HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

MAY 11, 12, 13, 14, 18, 19, 20, 21, 22,
JUNE 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 15,
16, 17, AND 25, 1970

**Part 6 of 16 Parts**

**(May 22 and June 1, 1970)**

Printed for the use of the Committee on Ways and Means

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## TABLE SHOWING CONTENTS OF THESE HEARINGS BY DATES, SUBJECTS, VOLUME NUMBERS, AND PAGE NUMBERS

| Date | Subject | Volume number | Pages |
|---|---|---|---|
| *1970* | | | |
| May 11 | Government officials | 1 | 1–297 |
| May 12 | do | 2 | 299–556 |
| May 13 | do | 2 | 557–643 |
| May 14 | do | 3 | 645–737 |
| May 18 | General testimony | 3 | 739–1000 |
| May 19 | do | 4 | 1001–1210 |
| May 20 | Textiles and apparels | 5 | 1211–1500 |
| May 21 | do | 5 | 1501–1615 |
| May 22 | General testimony | 6 | 1617–1748 |
| June 1 | Iron, steel, brass, copper, and related products | 6 | 1749–1959 |
| June 2 | Footwear (leather and rubber) and related products. | 7 | 1961–2177 |
| June 3 | Oil, gas, and coal | 8 | 2179–2395 |
| June 4 | DISC, oil, refund of duties on exported articles; machinery and machine tools. | 9 | 2397–2651 |
| June 5 | State agencies, scissors and shears, toys and novelties, umbrellas, flowers, alcoholic beverages, glue, candles, sporting arms, tobacco, general testimony. | 10 | 2653–2825 |
| June 8 | Electronics, heavy electrical equipment, item 807. | 10 | 2827–3049 |
| June 9 | General testimony, fur, item 807, hardwood | 11 | 3051–3344 |
| June 10 | Chemicals, ASP | 12 | 3345–3640 |
| June 11 | Textiles, meat, bearings and chains, industrial fasteners, aluminum and other metals, general testimony. | 13 | 3641–3833 |
| June 12 | Aircraft, bicycles, pins and fasteners, mushrooms, seafoods, coffee. | 14 | 3835–3969 |
| June 15 | Stone, glass, clay, ceramic tile, cement, marble, granite. | 14 | 3971–4155 |
| June 16 | Farm products, milk and milk products, soybeans, honey, molasses, candy, footwear, textiles, apparel, general testimony. | 15 | 4157–4274 |
| June 17 | Farm and citrus products, footwear, textiles, apparel, tea, general testimony. | 15 | 4275–4416 |
| June 25 | Government officials | 16 | 4417–4651 |

# CONTENTS

## SUBJECT HEADINGS


| | *Date* |
|---|---|
| Aircraft | June 12. |
| Alcoholic beverages | June 5. |
| Aluminum | June 11. |
| American selling price | June 10. |
| Bearings and chains | June 11. |
| Bicycles | June 12. |
| Brass | June 1. |
| Candles | June 5. |
| Candy | June 16. |
| Cement | June 15. |
| Ceramic tile | June 15. |
| Chemicals | June 10. |
| Clay | June 15. |
| Coal | June 3. |
| Coffee | June 12. |
| Copper | June 1. |
| Domestic International Sales Corp | June 4. |
| Electrical equipment | June 8. |
| Electronics | June 8. |
| Exported articles, refund of duties | June 4. |
| Farm products | June 12, 16, 17. |
| Fish | June 12. |
| Flowers | June 5. |
| Footwear (leather and rubber) and related products | June 2, 16, 17. |
| Fur | June 9. |
| Gas | June 3. |
| General testimony | May 18, 19, 22, June 5, 9, 11, 16, 17. |
| Glass | June 15. |
| Glue | June 5. |
| Government officials | May 11, 12, 13, 14, June 25. |
| Granite | June 15. |
| Hardwood | June 9. |
| Honey | June 16. |
| Industrial fasteners | June 11. |
| Iron | June 1. |
| Item 807 | June 8, 9. |
| Machinery and machine tools | June 4. |
| Marble | June 15. |
| Meat | June 11. |
| Milk and milk products | June 16. |
| Molasses | June 16. |
| Novelties | June 5. |
| Oil | June 3, 4. |
| Pins and fasteners | June 12. |
| Scissors and shears | June 5. |
| Soybean | June 16. |
| Sporting arms | June 5. |
| State agencies | June 5. |
| Steel | June 1. |
| Stone | June 15. |
| Tea | June 17. |
| Textiles and apparels | May 20, June 11, 16, 17. |
| Tobacco | June 5. |
| Toys | June 5. |
| Umbrellas | June 5. |
| Zinc | June 15. |

## BACKGROUND MATERIAL

Page

Letter from the President to Chairman Mills, dated May 11, 1970 — 65
Press releases:
Dated Thursday, April 16, 1970, outlining future schedule of the Committee on Ways and Means — 1
Dated Monday, May 4, 1970, announcing public hearings on tariff and trade proposals — 2
Proposed Trade Act of 1969, committee print — 5
Draft bill (H.R. 14870, introduced by Chairman Mills and Congressman John W. Byrnes of Wisconsin on November 19, 1969, at the request of the administration) — 15
Message of the President — 8
Section-by-section analysis — 20
Trade Expansion Act of 1962, as amended — 30

## ORAL STATEMENTS BY GOVERNMENT OFFICIALS

Agriculture, Department of: Hardin, Hon. Clifford M., Secretary — 626
Commerce, Department of:
Stans, Hon. Maurice H., Secretary — 299, 4417
Abbuhl, Forrest, Director, Trade and Commercial Policy Division — 299, 4417
Bodner, Seth, Special Assistant to Deputy Assistant Secretary for Resources — 299, 4417
Butler, Michael F., Assistant General Counsel, Domestic and International Business — 299, 4417
Fox, Lawrence, Deputy Assistant Secretary for International Trade Policy — 479
Johnson, Chadwick, Japan Desk Officer — 4417
Nehmer, Stanley, Deputy Assistant Secretary for Resources — 482, 4417
Labor, Department of:
Shultz, Hon. George P., Secretary — 589
Blackman, Herbert N., Deputy Assistant Secretary for Trade and Adjustment Policy — 589
Hildebrand, Hon. George H., Deputy Under Secretary — 589
State, Department of:
Rogers, Hon. William P., Secretary — 557
Trezise, Philip H., Assistant Secretary for Economic Affairs — 570
Treasury, Department of:
Kennedy, Hon. David M., Secretary — 499
Nolan, John, Acting Assistant Secretary for Tax Policy — 499
Patrick, Robert J., Associate Tax Legislative Counsel (International) — 499
Petty, John R., Assistant Secretary for International Affairs — 532
Rossides, Eugene T., Assistant Secretary for Enforcement and Operations — 521
Volcker, Paul A., Under Secretary for Monetary Affairs — 524
Trade Negotiations, Office of the Special Representative for:
Gilbert, Hon. Carl J., Special Representative for Trade Negotiations — 67, 645
Garland, Allen H., chairman, Trade Staff Committee — 67, 645
Gates, Theodore R., Assistant Special Representative for Industry and Labor — 67, 645
Pomeranz, Morton, acting general counsel, and secretary, Trade Executive Committee — 67, 645

## ORAL STATEMENTS BY PUBLIC WITNESSES

Abbitt, Hon. Watkins M., a Representative in Congress from the State of Virginia — 4283
Ackley, Hon Gardner, on behalf of the American Retail Federation — 921
Aerospace Industries Association of America, Inc.:
Harr, Karl G., Jr., president — 3835
Marshall, Robert B., member, International Committee — 3847
Stoffel, Albert W., chairman, International Committee-Trade Policy Task Group — 3843
Alevra, Peter, Pulp & Paper Machinery Association — 2486
Allen, Edward A., Jr., on behalf of the Stainless Steel Flatware Manufacturers Association — 1810
Amalgamated Clothing Workers of America, Jacob S. Potofsky, president — 1267

Page

Amalgamated Meat Cutters & Butcher Workmen of North America:
Feinglass, Abe, international vice president (statement delivered by Mr. Wishart) 2130
Wishart, James, research director 2130
Fur and Leather Department:
Foner, Henry 3157
Shapiro, Ralph, counsel 3154
American Apparel Manufacturers Association:
Brawley, H. W 1373
Flanagan, William S., board of directors and executive committee 1373
Meredith, Ellis E., executive vice president 1373
Priestland, Carl, economic consultant 1373
American Association of Port Authorities, Clifford B. O'Hara, chairman, committee XI 975
American Association of Woolen Importers, Inc.:
Bissinger, Fred, Jr., president 1490
Daniels, Michael P., counsel 1490
American Butter Institute, Robert F. Anderson, executive secretary 4178
American Farm Bureau Federation:
McLain, Marvin, director, legislative department 1620
Sherwin, Dale, assistant director, legislative department 1620
Shuman, Charles B., president 1620
American Federation of Labor and Congress of Industrial Organizations:
Biemiller, Andrew J., director, department of legislation 1001
Goldfinger, Nathaniel, director, department of research 1022
American Footwear Manufacturers Association:
Griffin, W. L. Hadley, chairman, board of directors 1983
Olson, Iver M., vice president 1983
Shannon, Thomas F., counsel 2024
Sheskey, William, chairman, national affairs committee 2016
American Fur Merchants' Association, Inc.:
Dreisin, Eugene, cochairman, foreign trade committee 3094
Hessel, B. H., cochairman, foreign trade committee 3096
Sharp, James R., Washington counsel 3094
American Fur Merchants Council, Eugene Dreisin, former president 3159
American Gas Association, Herbert D. Clay, chairman, government relations committee 2315
American Importers Association:
Cutler, Ralph H., Jr., chairman, trade policy committee 933
O'Brien, Gerald, executive vice president 933
Footwear group:
Beispel, Paul 2119
Davis, Jeff 2103
Hemmendinger, Noel, counsel 2103
Organic chemicals group:
Hochschwender, Dr. Karl A., chairman 3508
McCauley, Alfred R., counsel 3508
Stobaugh, Robert B., 3509
Textile and apparel group:
Daniels, Michael P., general counsel 1324
American Iron & Steel Institute:
Roche, John P., president 1753
Stinson, George A., chairman 1753
American Institute for Imported Steel, Inc.:
Graubard, Seymour, counsel 1796
Greenberg, Michael H., associate counsel 1796
American Loudspeaker Manufacturers Association, Herbert Rowe (chairman, parts division and distributor products division, Electronic Industries Association) 2881
American Mexican Association:
Blum, William 3200
Bramble, H. P 3218
Courtney, Gen. J. Cal, president 3200
Nathan, Robert R 3202

Page

American National Cattlemen's Association, C. W. McMillan, executive vice president ---- 3687
American Petroleum Institute, panel on behalf of:
Dunlop, Robert G., chairman of the board, Sun Oil Co ---- 2239
Ikard, Hon. Frank N., president ---- 2202
Wright, Myron A., chairman of the board, Humble Oil & Refining Co., also in behalf of Standard Oil Co. of New Jersey ---- 2210
American Pipe Fittings Association:
Goodridge, Raymond H., secretary-treasurer ---- 1905
Vilsack, Robert M ---- 1905
Wilcox, William F ---- 1908
American Retail Federation:
Ackley, Hon. Gardner ---- 921
Keeney, Eugene, president ---- 921
American Saint Gobain Corp., J. Clifford Knochel, president and chief executive officer ---- 3976
American Soybean Association, D. Leslie Tindal, president ---- 4222
American Sprocket Chain Manufacturers Association, Edward M. Rhodes, special consultant ---- 3745
American Textile Manufacturers Institute, panel of:
Dent, Frederick B., chairman, international trade committee ---- 1222
Jackson, Robert C., executive vice president ---- 1217
McCulloch, Donald F., president ---- 1217
Booth, Robert, chairman, Northern Textile Assn ---- 1240
Darman, Morton H., chairman of the board, National Association of Wool Manufacturers ---- 1243
Robie, Merle C., chairman, executive committee, Cordage Institute ---- 1264
Anderson, Hon. John B., a Representative in Congress from the State of Illinois ---- 4290
Anderson, Robert F., executive secretary:
American Butter Institute ---- 4178
National Cheese Institute, Inc ---- 4178
Anderson, Robert W., on behalf of Tanners Council of America, Inc ---- 2023
Anti-Friction Bearing Manufacturers Association, William E. Decaulp, chairman, foreign trade committee ---- 3740
Apparel Industries Inter-Association Committee:
Ferster, Herbert F., counsel, Clothing Manufacturers Association of the U.S.A ---- 1517
Korzenik, Sidney S., counsel ---- 1517
McEvoy, James, research director, National Knitted Outerwear Association ---- 1517
Appleman, Leonard, immediate past president, Green Olive Trade Association ---- 4347
Archer, John, counsel, Mass Retailing Institute ---- 2671
Arcuri, Andrew, International Union of Dolls, Toys, Playthings, Novelties and Allied Products of the United States and Canada ---- 2769
Ashley, James M., cochairman, board of trustees, Trade Relations Council of the United States, Inc ---- 3649
Aspinall, Hon. Wayne N., a Representative in Congress from the State of Colorado ---- 2397
Association on Japanese Textile Imports, Inc.:
Ishikawa, Samuel, of counsel ---- 1388
Masaoka, Mike M., Washington representative ---- 1388
Atkins, Edward, executive vice president, Volume Footwear Retailers of America ---- 2078
Atkind, Leon, chairman, Textile Importers Group of the Italy-America Chamber of Commerce ---- 1649
Baldanzi, George, international president, United Textile Workers of America ---- 1290
Barnard, Robert C., counsel:
Synthetic Organic Chemical Manufacturers Association ---- 3371
Dry Color Manufacturers Association ---- 3371
Barnes, Delbert, tax counsel, Cummins Engine Co ---- 2471
Bates, Victor, president, Bates Nitewear Co., Inc ---- 1550
Beispel, Paul, member, footwear group, American Importers Association ---- 2119
Bennett, Hon. Charles E., a Representative in Congress from the State of Florida ---- 3879

Page

Bent, Donn N., Meat Importers Association, on behalf of John E. Ward, chairman ---- 3696
Berncolors-Poughkeepsie, Inc., James W. Monks, president ---- 3571
Bevil, Hon. Tom, a Representative in Congress from the State of Alabama ---- 1512, 1749
Biaggi, Hon. Mario, a Representative in Congress from the State of New York ---- 2654
Bicycle Manufacturers Association of America:
  Hannon, William M., chairman, Washington affairs committee ---- 3850
  Shannon, Thomas, counsel ---- 3850
Biemiller, Andrew J., director, Department of Legislation, American Federation of Labor, Council of Industrial Organizations ---- 1001
Bissinger, Fred:
  American Association of Woolen Importers, Inc. (president) ---- 1490
  Synthetic Organic Chemical Manufacturers Association (senior vice president) ---- 3371
Blake, Peter, acting director, Division of Economic Development, New Jersey Department of Labor and Industry, on behalf of New Jersey Economic Development Council ---- 2659
Blum, William, American Mexican Association ---- 3200
Boland, Hon. Edward P., a Representative in Congress from the State of Massachusetts ---- 4286
Boot & Shoe Workers Union, John E. Mara, general president ---- 2066
Booth, Robert, chairman, Northern Textile Association ---- 1240
Bradley, Gail, vice president, League of Women Voters of the United States 979
Bramble, H. P., American Mexican Association ---- 3218
Brawley, H. W., on behalf of the American Apparel Manufacturers Association ---- 1373
Brazilian-American Chamber of Commerce, Morris Rosoff, president ---- 1686
British-American Chamber of Commerce:
  Farquharson, David N. G., executive secretary ---- 1677
  Lee, Derek A., president ---- 1677
  Pacy, David G., vice president ---- 1677
Bronz, George, on behalf of the Tie Fabric Importers Association ---- 1541
Broun, E. Fontaine, member, executive advisory committee, Man-Made Fiber Producers Association ---- 1427
Brown, Phillip, on behalf of Rubber Manufacturers Association ---- 2094
Broyhill, Hon. James T., a Representative in Congress from the State of North Carolina ---- 1501
Brudno, Walter W., counsel, in behalf of Cummins Engine Co. and Kobe, Inc ---- 2471
Bruno, Vincent J., director, World Trade Department, Commerce & Industry Association of New York ---- 1208
Bryant, F. Leonard, chairman of the board of directors, Manufacturing Chemists Association ---- 3490
Buchanan, Hon. John, a Representative in Congress from the State of Alabama ---- 1812, 1905, 4025
Burch, Bob, vice chairman, import policy committee, Independent Petroleum Association of Amerca, and also president, Rocky Mountain Oil & Gas Association ---- 2299
Burton, Hon. Laurence J., a Representative in Congress from the State of Utah ---- 2428
Busby, David, Washington, D.C ---- 2573
Butler, George D., president, Electronic Industries Association ---- 2827
Buzzard, John A., chairman, Import-Export Advisory Committee, National Confectioners Association ---- 4232
Byrnes, Hon. John W., a Representative in Congress from the State of Wisconsin and a member of the Committee on Ways and Means, statement with reference to testimony of Nelson Stitt ---- 1126, 3641
Bywater, William, vice president, International Union of Electrical, Radio & Machine Workers; also on behalf of International Association of Machinists & Aerospace Workers and the International Brotherhood of Electrical Workers ---- 2903
California-Arizona Citrus League, Julian B. Heron, Jr., counsel ---- 4360

Page

Campbell, John, assistant general counsel, United Rubber, Cork, Linoleum & Plastic Workers of America ---- 2137
Campbell, William, chairman, footwear division, Rubber Manufacturers Association ---- 2094
Cast Iron Soil Pipe Institute:
Hendrickson, Jerome, executive vice president ---- 1813
Hunt, Frederick D., foreign trade consultant ---- 1813
Perry, J. Wiley, Jr., chairman, Import Study Committee ---- 1813
Caterpillar Tractor Co.:
Fender, James, Public Affairs Department ---- 1202
Grant, Virgil V., vice president ---- 1202
C–E Glass, Robert C. Hordis, president ---- 3982
Cement Industry Antidumping Committee:
Hiss, Donald, counsel ---- 4089
Mundt, John C., vice chairman, advisory committee ---- 4089
Ceramic Tile Manufacturers of the United States:
Murchison, David M ---- 4074
Steele, Robert W ---- 4074
Chamber of Commerce of the United States:
Field, John E ---- 1048
Ostrander, F. Taylor, Jr ---- 1050
Surrey, Walter Sterling, member, international group ---- 1039
Vest, Kay, manager, international group ---- 1039
Chattem Drug & Chemical Co. of Chattanooga, Tenn.:
Colburn, Charles S., engineer ---- 3617
Evans, Ray W., vice president ---- 3591
Vansant, John M., Jr., counsel ---- 3591
Chester, Howard P., executive secretary, Stone, Glass & Clay Coordinating Committee ---- 4032
Chicago (Ill.) Board of Trade, Henry H. Wilson, president ---- 4323
Christopher, William, on behalf of Manufacturing Chemists Association ---- 3506
Christopher, William F., chairman, Society of the Plastics Industry, International Committee ---- 3322
Churchill, Robert, member, executive advisory committee, Man-Made Fiber Producers Association ---- 1427
Citronbaum, Jack, executive vice president, Luggage & Leather Goods Manufacturers Association of America ---- 2158
Clay, Herbert D.: chairman, Government Relations Committee, American Gas Association; president, National Fuel Gas Co ---- 2315
Clayman, Jacob, administrative director, Industrial Union Department, AFL–CIO ---- 1776
Cleveland, Hon. James C., a Representative in Congress from the State of New Hampshire ---- 3345
Clothespin & Veneer Products Association, Myron Solter, counsel ---- 3331
Coerper, Milo G., Washington counsel, German-American Chamber of Commerce ---- 1672
Cohen, Samuel Harris, counsel, New York Local No. 1, International Leather Goods, Plastics & Novelties Workers Union ---- 2143
Colburn, Charles S., engineer, Chattem Drug & Chemical Co. of Chattanooga, Tenn ---- 3617
Coleman, Gerald R., vice president-executive secretary, United Hatters, Cap & Millinery Workers International Union ---- 1317
Collins, George, assistant to the president, International Union of Electrical, Radio & Machine Workers; also on behalf of the International Association of Machinists & Aerospace Workers and the International Brotherhood of Electrical Workers ---- 1776, 2903
Commerce & Industry Association of New York, Vincent J. Bruno, director, world trade department ---- 1208
Committee for a National Trade Policy:
Hight, John W., executive director ---- 861
Steinberg, David J., secretary and chief economist ---- 872
Taft, Hon. Charles P., chairman ---- 852

Page

Committee for Economic Development:
Neal, Alfred C., president 914
Roth, Hon. William M., vice chairman, international economic studies, research and policy committee 914
Conte, Hon. Silvio O., a Representative in Congress from the State of Massachusetts 2421
Cooper, Mitchell J., counsel, footwear division, Rubber Manufacturers Association 2094
Copper & Brass Fabricators Council, Inc.:
Veltfort, Theodore E., managing director 1830
Wardell, Robert J., assistant managing director 1830
Cordage Institute, Merle C. Robie, chairman, executive committee 1264
Cornett, Hollan, international vice president, Stone & Allied Products Workers 4055
Cotton, Hon. Norris, a U.S. Senator from the State of New Hampshire 2184
Coughlin, Hon. R. Lawrence, a Representative in Congress from the State of Pennsylvania 1515, 4073
Council of State Chambers of Commerce:
Koch, George S., chairman, Federal finance committee 2439
Rinta, Eugene F., executive director 2439
Courtney, Gen. J. Cal, president, American Mexican Association 3200
Crimmins, Mitchell T., counsel, Tenneco Chemicals, Inc 3565
Culleton, Edward J., president, Green Olive Trade Association 4347
Cummins Engine Co.:
Barnes, Delbert, tax counsel 2471
Brudno, Walter W., counsel 2471
Curran, Jack, legislative director, Laborers' International Union of North America 4121
Cutler, Ralph H., Jr., chairman, trade policy committee, American Importers Association 933
Cycle Parts and Accessories Association, Carrol J. Warrell, chairman, tariff and customs committee 3858
Damon, E. M. Jr., executive secretary, Mushoom Processors Association 3885
Danielian, N. R., president, International Economic Policy Association 946
Daniels, Michael P., counsel:
American Association of Woolen Importers, Inc 1490
American Importers Association, textile and apparel group 1324
Darman, Morton H., chairman of the board, National Association of Wool Manufacturers 1243
Daugherty, Philip, legislative representative, Industrial Union Department, AFL-CIO 1776
David Guttman, Inc., David Guttman (executive representative, Miss Erika, Inc.) 1552
Davies, Richard, consulting economist, Synthetic Organic Chemical Manufacturers Association 3476
Davis, Jeff, member, footwear group, American Importers Association 2103
Decaulp, William E., chairman, foreign trade committee, Anti-Friction Bearing Manufacturers Association 3746
Decker, James, president, Kobe, Inc 2481
Dent, Frederick B., chairman, international trade committee, American Textile Manufacturers Institute 1222
Dent, Hon. John H., a Representative in Congress from the State of Pennsylvania 3107
De Santis, Arthur A., executive secretary, Italy-America Chamber of Commerce 1647
(Greater) Detroit Chamber of Commerce, world affairs committee:
Lyon, Lyman R., chairman-designate 1636
Toro, Carlos, vice chairman-designate 1636
Dirlam, Dr. Joel B., director, Institute for the Study of International Aspects of Competition, University of Rhode Island 1846
Discover America Travel Organizations, Inc., Sam N. Mercer, president 2581
Distillery, Rectifying, Wine and Allied Workers International Union, AFL-CIO, Abraham S. Weiss, legislative representative 2801
Donehower, William L., chairman, executive committee, Rolled Zinc Manufacturers Association 4112

Page

Donohue, Hon. Harold D., a Representative in Congress from the State of Massachusetts ---- 2186, 4284
Dreisin, Eugene, cochairman, Foreign Trade Committee, American Fur Merchants' Association, Inc ---- 3094, 3159
Driver, William, president, Manufacturing Chemists Association ---- 3490
Dunlop, Robert G. (chairman of the board, Sun Oil Co.) on behalf of the American Petroleum Institute ---- 2239
Eagle Shoes of Philadelphia, Inc., Harry A. Kozac (president, Worldwide Shoes, Inc.) ---- 2162
Eckles, William C., general manager, Pure Milk Products Cooperative ---- 4217
Edmondson, Hon. Ed, a Representative in Congress from the State of Oklahoma ---- 2403
Egge, George C., Jr., Synthetic Organic Chemical Manufactures Association ---- 3364
Electronic Industries Association:
  Butler, George D., president ---- 2787
  McCauley, Alfred R., special counsel ---- 2876
  Price, Jay, director of public affairs ---- 2827
  Consumer products division:
    Hoffman, Charles N., chairman ---- 2870
    Wayman, Jack, staff vice president ---- 2870
  Parts and distributor products divisions:
    Rowe, Herbert, chairman, world trade committee ---- 2881
  Semiconductor division:
    Field, John C., economist ---- 2987
    Meagher, Edward, chairman ---- 2987
    New Delman, Mitchell J., attorney ---- 2987
Emergency Committee for American Trade:
  Hazard, Ellison L ---- 749
  Kendall, Donald M., chairman ---- 739
  McNeill, Robert L., executive vice chairman ---- 836
  Townsend, Lynn ---- 750
Empire State Novelty Corp., Ira Weinberg, vice president and general manager ---- 2779
E. Stanwyck Coil Co., Inc., Edward Stanwyck, president ---- 3016
Evans, Ray W., vice president, Chattem Drug & Chemical Co., of Chattanooga, Tenn ---- 3591
Evans, S. W., member, Umbrella Frame Association of America ---- 2796
Fairchild Camera & Instrument Corp.:
  Herzstein, Roberty, attorney ---- 2995
  Hinkelman, Thomas, vice president for coporate planning ---- 2995
Fannin, Hon. Paul J., a U.S. Senator from the State of Arizona ---- 4275
Farmers & Manufacturers Beet Sugar Association:
  O'Rourke, Dennis, counsel ---- 4243
  Reeve, Perc A., executive vice president ---- 4243
Farquharson. David N. G., executive secretary, British-American Chamber of Commerce ---- 1677
Farrington, James, president, National Association of Scissors & Shears Manufacturers ---- 2748
Fecteau, George O., general president, United Shoe Workers of America ---- 2061
Feinglass, Abe, international vice president, Amalgamated Meat Cutters & Butcher Workmen of North America (statement delivered by James Wishart) ---- 2130
Fender, James, public affairs department, Catepillar Tractor Co ---- 1202
Ferster, Herbert F., counsel, Clothing Manufacturers Association of the U.S.A. ---- 1517
Field, John E., economist, on behalf of:
  Chamber of Commerce of the United States ---- 1048
  Electronic Industries Association, semeiconductor division ---- 2987
Fish, Hon. Hamilton, Jr., a Representative in Congress from the State of New York ---- 3565
Findley, Hon. Paul, a Representative in Congress from the State of Illinois ---- 3079
Finkel, Leonard E., president, Umbrella Frame Association of America ---- 2790
Flanagan, William S., board of directors and executive committee, American Apparel Manufacturers Association ---- 1373

Page

Flat glass domestic producers, panel on behalf of:
Hainsfurther, Robert M., vice president and general manager, glass division, PPG Industries, Inc. 3986
Hordis, Robrt C., president, C-E Glass 3982
Knochel, J. Clifford, president, chief executive officer, American Saint Gobain Corp. 3976
Stewart, Eugene L., special counsel 3988
Wingerter, Robert G., president, Libby-Owens-Ford Co. 3972
Flood, Hon. Daniel J., a Representative in Congress from the State of Pennsylvania 1961
Florida Citrus Mutual:
Rutledge, Robert W., executive vice president 4305
Underhill, William Amory, counsel 4305
Foner, Henry, on behalf of Fur & Leather Department of the Amalgamated Meat Cutters & Butcher Workmen of North America 3157
Friedel, Hon. Samuel N., a Representative in Congress from the State of Maryland 1508
Fuller, Robert P., member, government affairs committee, National Shoeboard Conference, Inc. 2092
Furrier Joint Council of New York, Charles Hoff, assistant manager 3154
GAF Corporation, chemical division, Alison Webb, director of marketing 3568
Gaydos, Hon. Joseph M., a Representative in Congress from the State of Pennsylvania 3151
Gehl's Guernsey Farms, Germantown, Wis., Robert G. Lewis 4212
German-American Chamber of Commerce, Milo G. Coerper, Washington counsel 1672
Gettys, Hon. Tom S., a Representative in Congress from the State of South Carolina 1211
Giaimo, Hon. Robert N., a Representative in Congress from the State of Connecticut 2193
Glass, Irving R. president, Tanners Council of America, Inc. 2005
Gleason, Donald H., chairman, international taxation subcommittee, National Association of Manufacturers 2438
Golden, David A., tariff and customs counsel, United States Potters Association 1188
Goldfinger, Nathaniel, director, Department of Research, AFL–CIO 1022
Goldman, Julius, marketing manager, industry sales, Tenneco Colors Division, Tenneco Chemicals, Inc. 3565
Goldy, Daniel L., vice chairman, committee on commercial policy, United States Council of the International Chamber of Commerce 1170
Golson, Charles E., on behalf of International Engineering & Construction Industries Council 2481
Goodman, Richard J. member, international trade committee, National Grain & Feed Association 3734
Goodridge, Raymond H., secretary-treasurer, American Pipe Fittings Association 1905
Gordon, Douglas R., assistant executive director, Society of American Florists 2797
Gordon, Milton, International Union of Dolls, Toys, Playthings, Novelties and Allied Products of the United States and Canada 2768
Gorton, Harry, American Aniline Products, Inc. 3575
Graham, Harry L., legislative representative, National Farmers Organization 987
Graham, James A., chairman, government and international affairs committee, Industrial Fasteners Institute 3757
Grant, Virgil V., vice president, Caterpillar Tractor Co. 1202
Graubard, Seymour, counsel, American Institute for Imported Steel, Inc 1796
Greenberg, Michael H., associate counsel, American Institute for Imported Steel, Inc. 1796
Green Olive Trade Association:
Appleman, Leonard, immediate past president 4347
Culleton, Edward J., president 4347
Nolan, John E., Jr., counsel 4347
Pappas, John, Jr. 4347
Schuman, Samuel, past president 4347

Page

Griffin, W. L. Hadley, chairman, board of directors, American Footwear Manufacturers Association 1983
Griffin, Hon. Charles H., a Representative in Congress from the State of Mississippi 4298
Gubser, Hon. Charles S., a Representative in Congress from the State of California 4159, 4360
Guttman, David, executive representative, Miss Erika, Inc 1552
Also testifying in behalf of:
David Guttman, Inc 1552
Ricki Knits, Jr 1552
Hagerich, Don A., executive director, Marble Institute of America 4121
Hainsfurther, Robert M., vice president and general manager, glass division, PPG Industries, Inc 3986
Halpern, Hon. Seymour, a Representative in Congress from the State of New York 2190
Hannon, William M., chairman, Washington Affairs Committee, Bicycle Manufacturers Association of America 3850
Hansen, Hon. Orval, a Representative in Congress from the State of Idaho 3092
Harr, Karl G., Jr., president, Aerospace Industries Association of America, Inc 3835
Harsha, Hon. William H., a Representative in Congress from the State of Ohio 2653
Hathaway, Hon. William D., a Representative in Congress from the State of Maine 1504
Hazard, Ellison L., on behalf of the Emergency Committee for American Trade 749
Healy, Patrick B., secretary, National Milk Producers Federation 4181
Healey, William, staff counsel, Machinery & Allied Products Institute 2454
Hemingway, Stuart C., Jr., executive vice president, Stainless Steel Flatware Manufacturers Association 1804
Hemmendinger, Noel, counsel, footwear group, American Importers Association 2103
Henderson, Dave, executive secretary, National Board of Fur Farm Organizations 3051
Hendrickson, Jerome, executive vice president, Cast Iron Soil Pipe Institute 1813
Heeron, Julian B., Jr., counsl, California-Arizona Citrus League 4360
Herzstein, Robert, attorney, Fairchild Camera & Instrument Corp 2995
Hessel, B. H., chairman, foreign trade committee, American Fur Merchants' Association, Inc 3096
Hight, John W., executive director, Committee for a National Trade Policy 861
Higman, W. E., Washington, D.C 2596
Hinkelman, Thomas, vice president for corporate planning, Fairchild Camera & Instrument Corp 2995
Hiss, Donald, counsel, Cement Industry Antidumping Committee 4089
Hobbs, Claude, chairman, committee on foreign trade policy, National Electrical Manufacturers Association 2934
Hochschwender, Dr. Karl A., chairman, American Importers Association, Organic Chemical Group 3508
Hoff, Charles, assistant manager, Furrier Joint Council of New York 3154
Hoffman, Charles N., chairman, consumer products division, Electronic Industries Association 2870
Hordis, Robert C., president, C–E Glass 3982
Humble Oil & Refining Co., Myron A. Wright, chairman of the board 2210
Hunt, Frederick D.:
Cast Iron Soil Pipe Institute, foreign trade consultant 1813
Office Machines International Institute, director 3314
Ikard, Hon. Frank N., president, American Petroleum Institute 2202
Imported Hardwood Products Association, Inc., James R. Sharp, counsel 3195
Independent Natural Gas Association of America, Hon. Walter E. Rogers, president 2307

Page

Independent Petroleum Association of America, panel on behalf of:
Jameson, Minor, executive vice president 2299
Burch, Bob, vice chairman, import policy committee, and also president, Rocky Mountain Oil & Gas Association 2286
Medders, Tom B., Jr., chairman, import policy committee 2295
Industrial Fasteners Institute:
Graham, James A., chairman, government and international affairs committee 3757
Masterson, Frank, president 3811
Industrial Union Department, AFL–CIO:
Clayman, Jacob, administrative director 1776
Daugherty, Philip, legislative representative 1776
Institute on U.S. Taxation of Foreign Income, Inc., Paul D. Seghers, president 2443
International Association of Machinists & Aerospace Workers:
Bywater, William (vice president, International Union of Electrical Radio, & Machine Workers) 2903
Collins, George (assistant to the president, International Union of Electrical, Radio, & Machine Workers) 2903
International Brotherhood of Electrical Workers:
Bywater, William (vice president, International Union of Electrical, Radio, & Machine Workers) 2903
Collins, George (assistant to the president, International Union of Electrical, Radio, & Machine Workers) 2903
International Brotherhood of Operative Potters, Lester Null, president 4041
International Chemical Workers Union, Frank D. Martino, Washington director 3575
International Economic Policy Association, N. R. Danielian, president 946
International Engineering & Construction Industries Council:
Golson, Charles E 2481
Rutherford, H. L 2481
International Ladies' Garment Workers' Union, Lazare Teper, director of research, presenting statement on behalf of Louis Stulberg, president 1269
International Leather Goods, Plastics, & Novelties Workers Union:
Cohen, Samuel Harris, counsel, New York Local No. 1 2143
Weiss, Abraham, legislative representative 2143
International Longshoremen's & Warehousemen's Union, Albert Lannon, Washington representative 1185
International Trade Club of Chicago, Lawrence C. McQuade, director 2559
International Union of Dolls, Toys, Playthings, Novelties & Allied Products of the United States and Canada:
Arcuri, Andrew 2769
Gordon, Milton 2768
International Union of Electrical, Radio, & Machine Workers:
Bywater, William, vice president 2903
Collins, George, assistant to the president 2903
International Union of Radio & Machine Workers of America, George Collins 1776
Ishikawa, Samuel, of counsel to Mike M. Masaoka, Washington representative, Association on Japanese Textile Imports, Inc 1388
Italy-America Chamber of Commerce:
Atkind, Leon, chairman, Textile Importers Group 1649
De Santis, Arthur A., executive secretary 1647
Luft, Willard, cochairman, Footwear Importers Group 1647
Jackson, Robert C., executive vice president, American Textile Manufacturers Institute 1217
Jameson, Minor, executive vice president, Independent Petroleum Association of America 2286
Jenkins, George O., Jr., chairman, government affairs committee, National Shoeboard Conference, Inc 2092
Joelson, Mark, counsel, Pulp & Paper Machinery Association 2489
Johnson, Reuben L., director of legislative services, National Farmers Union 4237
Keeney, Eugene, president, American Retail Federation 921
Keith, Hon. Hastings, a Representative in Congress from the State of Massachusetts 1980
Kendall, Donald M., chairman, Emergency Committee for American Trade 739

Page

Kessler, Bernard, president, Mass Retailing Institute 2673
Knochel, J. Clifford, president, chief executive officer, American Saint Gobain Corp 3976
Kobe, Inc.:
Brudno, Walter W., counsel 2471
Decker, James, president, finance 2481
Koch, George S., chairman, Federal Finance Committee, Council of State Chambers of Commerce 2439
Korzenik, Sidney S., counsel, Apparel Industries Inter-Association Committeee 1517
Kozac, Harry A., president, Worldwide Shoes, Inc., also on behalf of Eagle Shoes of Philadelphia, Inc 2162
Kyros, Hon. Peter N., a Represenative in Congress from the State of Maine 1982
Laborers' International Union of North America, Jack Curran, legislative director 4112
Langen, Hon. Odin, a Representative in Congress from the State of Minnesota 4165
Lannon, Albert, Washington representative, International Longshoremen's & Warehousemen's Union 1185
League of Women Voters of the United States, Gail Bradley, vice president 979
LeBlond, Daniel W., National Machine Tool Builders Association 2550
Lee, Derek A., president, British-American Chamber of Commerce 1677
Levy, Edward, executive director, National Handbag Association 2160
Lesnick, Edward, director of product planning, Wang Laboratories, Inc 3013
Lewis, Robert G.:
Wisconsin Cheese Makers' Association 4212
Geehl's Guernsey Farms, Germanteown, Wis 4212
Libbey-Owens Ford Co., Robert G. Wingerter, president 3972
Liberty Lobby, Warren S. Richardson, general counsel 1630
Lincoln, Donald O., trade, legislative and legal consultant, Maine Sardine Packers Association and Maine Sardine counsel 3892
Lobred, Leonard K.:
National Canners Association, director, international trade division 4327
U.S. National Fruit Export Council, secretary-treasurer 4367
Lovre, Hon. Harold O., Washington counsel, National Board of Fur Farm Organizations 3051
Luft, Williard, cochairman, Footwear Importers Group of the Italy-America Chamber of Commerce 1647
Luggage & Leather Goods Manufacturers of America, Jack Citronbaum, executive vice president 2158
Lynn, Bruce N., president, National Cotton Council of America 1494
Lyon, Lyman R., chairman-designate, world affairs committee, Greater Detroit Chamber of Commerce 1636
MacArthur, Arthus R., Janesville, Wis 3172
Machinery & Allied Products Institute:
Healey, William, staff counsel 2454
Stewart, Charles W., president 2454
Magdanz, Don F., executive secretary-treasurer, National Livestock Feeders Association 3704
Mahon, Hon. George H., a Representative in Congress from the State of Texas 2179
Mahoney, James, member, executive advisory committee, Man-Made Fiber Producers Association 1427
Maine Sardine Packers Association and Maine Sardine Council:
Lincoln, Donald O., trade, legislative and legal consultant 3892
Reed, Richard E., executive secretary 3892
Warren, James L., chairman, legislative committee 3892
Man-Made Fiber Producers Association:
Executive advisory committee:
Broun, E. Fontaine 1427
Churchill, Robert 1427
Mahoney, James 1427
Stoll, Dr. Reiner 1427
Swank, Dr. Howard 1427
Ramsey, Claude, chairman of the board 1427
Stewart, Eugene L., counsel 1427

Page

Manufacturing Chemists Association:
- Bryant, F. Leonard, chairman of the board of directors — 3490
- Christopher, William — 3506
- Driver, William, president — 3490
- Plumb, Robert — 3490

Mara, John E., general president, Boot & Shoe Workers Union — 2066
Marble Institute of America, Don A. Hagerich, executive director — 4121
Marshall, Robert B., member, International Committee, Aerospace Industries Association of America, Inc — 3847
Martin, Hon. Dave, a Representative in Congress from the State of Nebraska — 3678
Martin, Lewe B.:
- Miniature Precision Bearing Co., counsel — 3345
- Mushroom Processors Association, counsel — 3885
- Stainless Steel Flatware Manufacturers Association, secretary — 1804

Martino, Frank D., Washington director, International Chemical Workers Union — 3587
Marzetti, Alex, chairman, government relations committee, Mushroom Processors Association — 3885
Masaoka, Mike M., Washington representative, Association on Japanese Textile Imports, Inc — 1388
Masterson, Frank, president, Industrial Fasteners Institute — 3811
Mass Retailing Institute:
- Archer, John, counsel — 2671
- Kessler, Bernard, president — 2673
- Peabody, Hon. Endicott — 2671

Massachusetts Department of Commerce and Development, Carroll P. Sheehan, commissioner — 2656
May, Ernest M., president, Otto B. May, Inc — 3572
McCauley, Alfred R., counsel:
- American Importers Association, organic chemicals group — 3508
- Electronic Industries Association — 2876

McClanahan, W. W., executive president, National Coal Policy Conference — 2335
McClure, Hon. James A., a Representative in Congress from the State of Idaho — 4296
McCulloch, Donald F., president, American Textile Manufacturers Institute — 1217
McEvoy, James, research director, National Knitted Outerwear Association — 1517
McEwen, Hon. Robert C., a Representative in Congress from the State of New York — 1968
McFall, Hon. John J., a Representative in Congress from the State of California — 4160
McKenna, Neal, on behalf of Rubber Manufacturers Association — 2094
McLain, Marvin, director, legislative department, American Farm Bureau Federation — 1620
McMillan, C. W., executive vicce president, American National Cattlemen's Association — 3687
McNeill, Robert L., executive vice chairman, Emergency Committee for American Trade — 836
McQuade, Hon. Lawrence C., director, International Trade Club of Chicago — 2559
Meagher, Edward, chairman, semiconductor division, Electronics Industries Association — 2987
Meat Importers Association, Donn N. Bent, on behalf of John E. Ward, chairman — 3696
Medders, Tom B., Jr., chairman, import policy committee, Independent Petroleum Association of America — 2295
Mercer, Sam N., president, Discover America Travel Organizations, Inc — 2581
Meredith, Ellis E., executive vice president, American Apparel Manufacturers Association — 1373
Metal Masters of Baltimore, Md., H. M. Weiss, president — 1916
Minard, Richard A., officer, Miniature Precision Bearing Co — 3345
Minchew, Daniel, legislative director, United States-Japan Trade Council — 1066
Miniature Precision Bearing Co.:
- Martin, Lewe B., counsel — 3345
- Minard, Richard A., officer — 3345

Page

Mink Hon. Patsy T., a Representative in Congress from the State of Hawaii ---- 2198
Mizell, Hon. Wilmer D., a Representative in Congress from the State of North Carolina ---- 1513, 1549
Miss Erika, Inc., David Cuttman, executive representative ---- 1552
Mollohan, Hon. Robert H., a Representative in Congress from the State of West Virginia ---- 4293
Monagan, Hon. John S., a Representative in Congress from the State of Connecticut ---- 4229
Monks James W., president, Berncolors-Poughkeepsie, Inc ---- 3571
Moorcones, John S., on behalf of the National Restaurant Association ---- 3725
Mundt, John C., vice chairman, advisory committee, Cement Industry Antidumping Committee ---- 4089
Murchison, David C., on behalf of Ceramic Tile Manufacturers of the United States ---- 4074
Mushroom Processors Association:
  Damon, E. M., Jr., executive secretary ---- 3885
  Martin, Lewe B., counsel ---- 3885
  Marzetti, Alex, chairman, government relations committee ---- 3885
National Association of Secondary Material Industries, Inc., Sidney Silver, vice president, foreign trade division ---- 3823
National Association of Manufacturers, Donald H. Gleason, chairman, international taxation subcommittee ---- 2438
National Association of Wool Manufacturers, Morton H. Darman, chairman of the board ---- 1243
National Association of Scissors & Shears Manufacturers, James Farrington, president ---- 2748
National Board of Fur Farm Organizations:
  Henderson, Dave, executive secretary ---- 3051
  Lovre, Hon. Harold O., Washington counsel ---- 3051
  Plaisted, Ken, general counsel ---- 3051
  Woodley, Albert ---- 3057
National Canners Association, Leonard K. Lobred, director, international trade division ---- 4327
National Cheese Institute, Inc., Robert F. Anderson, executive secretary ---- 4178
National Coal Association, Brice O'Brien, vice president ---- 2318
National Coal Policy Conference, W. W. McClanahan, executive president ---- 2335
National Confectioners Association, John A. Buzzard, chairman, import-export advisory committee ---- 4232
National Cotton Council of America:
  Lynn, Bruce N., president ---- 1494
  Wellford, Dabney S., economist ---- 1494
National Electrical Manufacturers Association:
  Hobbs, Claude, chairman, committee on foreign trade policy ---- 2934
  Simpson, John W ---- 2934
National Farmers Organization, Harry L. Graham, legislative representative ---- 987
National Farmers Union, Reuben L. Johnson, director of legislative services ---- 4237
National Foreign Trade Council:
  Scott, Robert T., vice president ---- 928
  Walker, Melville H., executive vice president ---- 928
National Fuel Gas Co., Herbert D. Clay, president ---- 2315
National Grain & Feed Association, Richard J. Goodman, member, international trade committee ---- 3734
National Handbag Association:
  Levy, Edward, executive director ---- 2160
  Weiss, Steven J., counsel ---- 2155
National Livestock Feeders Association, Don F. Magdanz, executive secretary-treasurer ---- 3704
National Machine Tool Builders Association:
  Henry D. Sharpe, Jr., first vice president ---- 2489
  Daniel W. LeBlond ---- 2550
National Milk Producers Federation, Patrick B. Healy, secretary ---- 4181

National Restaurant Association: Page
Moorcones, John S. 3725
Neville, Robert B. 3725
Nunn, Ira H., counsel 3725
National Shoeboard Conference, Inc.:
Fuller, Robert P., member, government affairs committee 2092
Jenkins, George O., Jr., chairman, government affairs committee 2092
Nathan, Robert R., American Mexican Association 3202
Nation-Wide Committee on Import-Export Policy, O. R. Strackbein, president 883
Neal, Alfred C., president, Committee for Economic Development 914
Nelson, Arthur, president, Revere Stainless Steel Sink Corp 1913
Neville, Robert B., on behalf of the National Restaurant Association 3725
New Delman, Mitchell J., attorney, semiconductor division, Electronic Industries Association 2987
New Jersey Economic Development Council, Peter Blake, acting director, Division of Economic Development, New Jersey Department of Labor and Industry 2659
Nolan, John E., counsel, Green Olive Trade Association 4347
North Atlantic Ports Association, Clifford B. O'Hara, chairman, foreign commerce and Government traffic committee 975
Northern Textile Association, Robert Booth, chairman 1240
Null, Lester, president, International Brotherhood of Operative Potters 4041
Nunn, Ira H., counsel, National Restaurant Association 3725
O'Brien, Brice, vice president, National Coal Association 2318
O'Brien, Gerald, executive vice president, American Importers Association 933
O'Rourke, Dennis, counsel, Farmers and Manufacturers Beet Sugar Association 4243
O'Hara, Clifford B., appearing in behalf of American Association of Port Authorities (chairman, committee XI) and North Atlantic Ports Association (chairman, foreign commerce and Government traffic committee) 975
Office Machines International Institute, Frederick D. Hunt, director 3314
Ohio Greenhouse Cooperative Association, Roger Ruetenik, vice president 4371
Olson, Iver M., vice president, American Footwear Manufacturers Association 1983
Oregon Cattlemen's Association, Fred Phillips, president 3693
Ostrander, F. Taylor, Jr., on behalf of the Chamber of Commerce of the United States 1050
Otto B. May, Inc., Ernest M. May, president 3572
Pacy, David G., vice president, British-American Chamber of Commerce 1677
Palmer, Charles, Southern Dyestuff Co 3575
Pappas, John, Jr., Green Olive Trade Association 4347
Peabody, Hon. Endicott, Mass Retailing Institute 2671
Perkel, George, research director, Textile Workers Union of America 1277
Perry, J. Wiley, Jr., chairman, import study committee, Cast Iron Soil Pipe Institute 1813
Peterson, Dean A., economic consultant, Volume Footwear Retailers of America 2082
Philips, A. Lloyd, president, American Aniline Products, Inc 3575
Phillips, Fred, president, Oregon Cattlemen's Association 3693
Piquet, Dr. Howard S., Washington, D.C. 2676
Plaisted, Ken, general counsel, National Board of Fur Farm Organizations 3051
Plumb, Robert, Manufacturing Chemists Association 3490
Pollock, William, general president, Textile Workers Union of America 1277
Potofsky, Jacob S., president, Amalgamated Clothing Workers of America 1267
PPG Industries, Inc., Robert M. Hainsfurther, vice president and general manager, glass division 3986
Preyer, Hon. Richardson, a Representative in Congress from the State of North Carolina 1550
Price, Jay, director of public affairs, Electronic Industries Association 2827
Priestland, Carl, economic consultant, American Apparel Manufacturers Association 1373
Pucinski, Hon. Roman C., a Representative in Congress from the State of Illinois 3647

Page

Pulp & Paper Machinery Association:
Alevra, Peter ---- 2486
Joelson, Mark, counsel ---- 2489
Pure Milk Products Cooperative, William C. Eckles, general manager ---- 4217
Quillen, Hon. James, a Representative in Congress from the State of Tennessee ---- 1617
Ramsey, Claude, chairman of the board, Man-Made Fiber Producers Association ---- 1427
Reed, Richard E., executive secretary, Maine Sardine Packers Association and Maine Sardine Counsel ---- 3892
Reeve, Perc A., executive vice president, Farmers and Manufacturers Beet Sugar Association ---- 4243
Rehm, John B., Washington, D.C ---- 2576
Reiser, Ralph, international president, United Glass & Ceramic Workers ---- 4045
Revere Stainless Steel Sink Corp., Arthur Nelson, president ---- 1913
Rhodes, Edward M., special consultant, American Sprocket Chain Manufacturers Association ---- 3745
Richardson, Warren S., general counsel, Liberty Lobby ---- 1630
Ricki Knits, Jr., David Guttman (executive representative, Miss Erika, Inc.) ---- 1552
Rinta, Eugene F., executive director, Council of State Chambers of Commerce ---- 2439
Rivers, Hon. L. Mendel, a Representative in Congress from the State of South Carolina ---- 3642
Robie, Merle C., chairman, executive committee, Cordage Institute ---- 1264
Robison, Hon. Howard W., a Representative in Congress from the State of New York ---- 2188
Roche, John P., president, American Iron & Steel Institute ---- 1753
Rocky Mountain Oil & Gas Association, president, Bob Burch ---- 2299
Rogers, Hon. Paul G., a Representative in Congress from the State of Florida ---- 4164
Rogers, Hon. Walter E., president, Independent Natural Gas Association of America ---- 2307
Rolled Zinc Manufacturers Association, William L. Donehower, Jr., chairman, executive committee ---- 4112
Rose, Richard C., president, Trade Relations Council of the United States, Inc ---- 3649
Rosoff, Morris, president, Brazilian-American Chamber of Commerce ---- 1686
Roth, William M., vice chairman, international economic studies, research and policy committee, Committee for Economic Development ---- 914
Rowan, Richard L., associate professor of industry and associate director, research unit, Wharton School of Finance and Commerce, University of Pennsylvania ---- 1561
Rowe, Herbert, chairman, world trade committee, parts division and distributor products division, Electronic Industries Association (also on behalf of the American Loudspeaker Manufacturers Association) ---- 2881
Rubber Manufacturers Association:
Brown, Neal ---- 2094
Campbell, William, chairman, footwear division ---- 2094
Cooper, Mitchell, counsel, footwear division ---- 2094
McKenna, Neal ---- 2094
Ruetenik, Roger, vice president, Ohio Greenhouse Cooperative Association ---- 4371
Ruth, Hon. Earl B., a Representative in Congress from the State of North Carolina ---- 4172
Rutherford, H. L., on behalf of International Engineering & Construction Industries Council ---- 2481
Rutledge, Robert W., executive vice president, Florida Citrus Mutual ---- 4305
Schenk, Prof. Alan, Wayne State University Law School ---- 2585
Schuman, Samuel, past president, Green Olive Trade Association ---- 4347
Schwengel, Hon. Fred, a Representative in Congress from the State of Iowa, submitting statement of William L. Hullsiek (vice president, corporate development, Amana Refrigeration, Inc.) ---- 1209
Schwenger, Robert B., Kensington, Md ---- 2726
Scott, Robert T., vice president, National Foreign Trade Council ---- 928

Page

Seghers, Paul D., president, Institute on U.S. Taxation of Foreign Income, Inc ---- 2443
Shannon, Thomas F., counsel:
American Footwear Manufacturers Association ---- 2024
Bicycle Manufacturers Association of America ---- 3850
Shapiro, Ralph, counsel, Fur & Leather Department of the Amalgamated Meat Cutters & Butcher Workmen of North America ---- 3154
Sharp, James R., counsel:
American Fur Merchants' Association, Inc. ---- 3094
Imported Hardwood Products Association, Inc ---- 3195
Sharpe, Henry D. Jr., first vice president, National Machine Tool Builders Association ---- 2489
Sheehan, Carroll P., commissioner, Massachusetts Department of Commerce and Development ---- 2656
Sheehan, John J., legislative director, United Steelworkers of America ---- 1823
Sherwin, Dale, assistant director, legislative department, American Farm Bureau Federation ---- 1620
Sheskey, William, chairman, national affairs committee, American Footwear Manufacturers Association ---- 2016
Shuman, Charles B., president, American Farm Bureau Federation ---- 1620
Silver, Sidney, vice president, foreign trade division, National Association of Secondary Material Industries, Inc ---- 3823
Simpson, John W., on behalf of the National Electrical Manufacturers Association ---- 2934
Sindelar, Charles, staff assistant, Zenith Radio Corp ---- 2945
Sisk, Hon. B. F., a Representative in Congress from the State of California ---- 4157
Slide Fastener Association, Myron Solter, counsel ---- 3864
Sloane, Jack, president, Standard Cellulose & Novelty Co ---- 2781
Society of American Florists, Douglas R. Gordon, assistant executive director ---- 2797
Society of the Plastics Industry, International Committee:
Christopher, William F., chairman ---- 3322
Tiernan, Robert R., counsel ---- 3322
Solter, Myron, counsel:
Clothespin & Veneer Products Association ---- 3331
Slide Fastener Association ---- 3864
South Carolina, State of, Lt. Gov. John Carl West, on behalf of Gov. Robert E. McNair ---- 1211
St Germain, Hon. Fernand J., a Representative in Congress from the State of Rhode Island ---- 1509, 2195
Staggers, Hon. Harley O., a Representative in Congress from the State of West Virginia ---- 1976
Stainless Steel Flatware Manufacturers Association:
Allen, Edward A., Jr ---- 1810
Hemingway, Stuart C., Jr., executive vice president ---- 1804
Martin, Lewe B., secretary ---- 1804
Standard Cellulose & Novelty Co., Jack Sloane, president ---- 2781
Standard Oil Co. of New Jersey, Myron A. Wright (chairman of the board, Humble Oil & Refining Co.) ---- 2210
Stanwyck, Edmund, president, E. Stanwyck Coil Co., Inc ---- 3016
Steele, Robert W., on behalf of Ceramic Tile Manufacturers of the United States ---- 4074
Steiger, Hon. William A., a Representative in Congress from the State of Wisconsin ---- 4300
Steinberg, David J., secretary and chief economist, Committee for a National Trade Policy ---- 872
Stewart, Charles W., president, Machinery & Allied Products Institute ---- 2454
Stewart, Eugene L., counsel:
American Loudspeaker Manufacturers Association ---- 2809, 2881
Electronic Industries Association ---- 2809, 2881
Man-Made Fiber Producers Association ---- 1427
Flat Glass Domestic Producers Association ---- 3988
Trade Relations Council of the United States, Inc ---- 3649
U.S. Dyestuff Producers ---- 3575

Page
Stinson, George A., chairman, American Iron & Steel Institute 1753
Stitt, Nelson A., director, United States-Japan Trade Council:
Testimony 1066, 1127
Membership list 1131
Registration statement filed with Department of Justice, pursuant to Foreign Agents Registration Act of 1938 1143
Statement of Congressman John W. Byrnes (Wis.), a Member of the Committee on Ways and Means, with reference to testimony of Mr. Stitt 1126, 3641
Interrogation by Congressman John W. Byrnes (Wis.) of Mr. Stitt 1155
Stobaugh, Robert B., American Importers Association, Organic Chemicals Group 3509
Stoffel, Albert W., chairman, International Committee-Trade Policy Task Group, Aerospace Industries Association of America, Inc 3843
Stoll, Dr. Reiner, member, executive advisory committee, Man-Made Fiber Producers Association 1427
Stone & Allied Products Workers, Hollan Cornett, international vice president 4055
Stone, Eugene, III, president, Stone Manufacturing Co 1554
Stone, Glass & Clay Coordinating Committee, panel in behalf of:
Chester, Howard P., executive secretary 4032
Cornett, Hollan, international vice president, Stone & Allied Products Workers 4055
Null, Lester, president, International Brotherhood of Operative Potters 4041
Reiser, Ralph, international president, United Glass & Ceramic Workers 4045
Stone Manufacturing Co., Eugene Stone III, president 1554
Strackenbein, O. R., president, Nation-Wide Committee on Import-Export Policy 883
Stratton, Hon. Samuel S., a Representative in Congress from the State of New York 1965
Sun Oil Co., Robert G. Dunlop, chairman of the board 2239
Surrey, Walter Sterling, member, international committee, Chamber of Commerce of the United States 1039
Swank, Dr. Howard, member, executive advisory committee, Man-Made Fiber Producers Association 1427
Synthetic Organic Chemical Manufacturers Association:
Barnard, Robert C., counsel 3371
Bissinger, Fred, senior vice president 3371
Davies, Richard, economist 3476
Egge, George V., Jr 3364
Turchan, Thomas P., president 3364
Taft, Hon. Charles P., chairman, Committee for a National Trade Policy 852
Tanners Council of America, Inc.:
Anderson, Robert W 2023
Glass, Irving R., president 2005
Taquey, Charles H., Washington, D.C 2723
Tenneco Chemicals, Inc.:
Crimmins, Michael T., counsel 3565
Goldman, Julius, marketing manager, industry sales, Tenneco color division 3565
Teper, Lazare, director of research, International Ladies' Garment Workers' Union, AFL–CIO 1269
Textile Workers Union of America:
Perkel, George, research director 1277
Pollock, William, general president 1277
Thomson, Hon. Vernon W., a Representative in Congress from the State of Wisconsin 3971
Thurmond, Hon. Strom, a U.S. Senator from the State of South Carolina 1538
Tie Fabric Importers Association, George Bronz 1541
Tiernan, Robert R., counsel, Society of the Plastics Industry, International Committee 3322
Tindal, D. Leslie, president, American Soybean Association 4222
Toro, Carlos, vice chairman-designate, world affairs committee, Greater Detroit Chamber of Commerce 1636

Page

Townsend, Lynn, on behalf of the Emergency Committee for American Trade ---- 750
Trade Relations Council of the United States, Inc.:
Ashley, James M., cochairman, board of trustees ---- 3649
Rose, Richard C., president ---- 3649
Stewart, Eugene L., general counsel ---- 3649
Turchan, Thomas P., president, Synthetic Organic Chemical Manufacturers Association ---- 3364
Uhler, Berman, Blackman Uhler Chemical Division ---- 3575
Umbrella Frame Association of America:
Evans, S. W., member ---- 2796
Finkel, Leonard E., president ---- 2790
Underhill, William Amory, counsel, Florida Citrus Mutual ---- 4305
United Glass & Ceramic Workers, Ralph Reiser, international president ---- 4045
United Hat, Cap & Millinery Workers International Union, Gerald R. Coleman, vice president-executive secretary ---- 1317
United Rubber, Cork, Linoleum & Plastic Workers of America, John Campbell, assistant general counsel ---- 2137
United Shoe Workers of America, George O. Fecteau, general president ---- 2061
United States Council of the International Chamber of Commerce, Daniel L. Goldy, vice chairman, committee on commercial policy ---- 1170
United States-Japan Trade Council:
Minchew, Daniel, legislative director ---- 1066
Stitt, Nelson A., director;
Testimony ---- 1066, 1127
Membership list ---- 1131
Registration statement filed with Department of Justice, pursuant to Foreign Agents Act of 1938 ---- 1143
Statement of Congressman John W. Byrnes (Wis.) a member of the Committee on Ways and Means, with reference to testimony of Mr. Stitt ---- 1126, 3641
Interrogation by Congressman Byrnes (Wis.) of Mr. Stitt ---- 1155
United Steelworks of America, John J. Sheehan, legislative director ---- 1823
United Textile Workers of America, George Baldanzi, international president ---- 1290
U.S. dyestuff producers, panel of:
Gorton, Harry, American Aniline Products, Inc ---- 3575
Palmer, Charles, Southern Dyestuff Co ---- 3575
Phillips, A. Lloyd, president, American Aniline Products, Inc ---- 3575
Stewart, Eugene L., counsel ---- 3575
Uhler, Berman, Blackman, Uhler Chemical Division ---- 3575
U.S. National Fruit Export Council, Leonard K. Lobred, secretary-treasurer ---- 4367
U.S. Potters Association, David A. Golden, tariff and customs counsel ---- 1188
Vansant, John M., Jr., counsel, Chatten Drug & Chemical Co., of Chattanooga, Tenn ---- 3591
Veltfort, Theodore E., managing director, Copper & Brass Fabricators Council, Inc ---- 1830
Vest, Kay, manager, international group, Chamber of Commerce of the United States ---- 1039
Vilsack, Robert M., on behalf of American Pipe Fittings Association ---- 1905
Volume Footwear Retailers of America:
Atkins, Edward, executive vice president ---- 2078
Peterson, Dean A., economic consultant ---- 2082
Weiss, Morton A., president ---- 2074
Walker, Melville H., executive vice president, National Foreign Trade Council ---- 928
Wang Laboratories, Inc., Edward Lesnick, director of product planning ---- 3013
Wardell, Robert J., assistant managing director, Copper & Brass Fabricators Council, Inc ---- 1830
Warrell, Carrol J., chairman, tariff and customs committee, Cycle Parts & Accessories Association ---- 3858
Warren, James L., chairman, legislative committee, Maine Sardine Packers Association and Maine Sardine counsel ---- 3892
Wayman, staff vice president, consumer products division, Electronic Industries Association ---- 2870
Webb, Alison, director of marketing, chemical division, GAF Corporation ---- 3568

Page

Weinberg, Ira, vice president and general manager, Empire State Novelty Corp ---- 2779
Weiss, Abraham, legislative counsel:
Distillery, Rectifying, Wine, & Allied Workers International Union ---- 2801
International Leather Goods, Plastics, & Novelties Workers Union ---- 2143
Weiss, H. M., president, Metal Masters of Baltimore, Md ---- 1916
Weiss, Morton B., president, Volume Footwear Retailers of America ---- 2074
Weiss, Steven J., counsel, National Handbag Association ---- 2155
Wellford, Dabney S., economist, National Cotton Council of America ---- 1494
West, Hon. John Carl, Lieutenant Governor, State of South Carolina, on behalf of Gov. Robert E. McNair ---- 1211
Wilcox, William F., on behalf of American Pipe Fittings Association ---- 1908
Wilson, Henry H., president, Chicago (Ill.) Board of Trade ---- 4323
Wingerter, Robert G., president, Libbey?Owens-Ford Co ---- 3972
Wisconsin Cheese Makers' Association, Robert G. Lewis ---- 4212
Wishart, James, research director, Amalgamated Meat Cutters & Butcher Workmen of North America ---- 2130
Wold, Hon. John S., a Representative in Congress from the State of Wyoming ---- 4173
Woodley, Albert, National Board of Fur Farm Organizations ---- 3057
Worldwide Shoes, Inc., Harry A. Kozac, president ---- 2162
Wright, Joseph S., chairman of the board, Zenith Radio Corp ---- 2945
Wright, Myron A. (chairman of the board, Humble Oil & Refining Co.), on behalf of the American Petroleum Institute ---- 2210
Wyman, Hon. Louis C., a Representative in Congress from the State of New Hampshire ---- 1971
Zenith Radio Corp:
Sindelar, Charles, staff assistant ---- 2945
Wright, Joseph S., chairman of the board ---- 2945
Zwach, Hon. John M., a Representative in Congress from the State of Minnesota ---- 3881

## MATERIAL SUBMITTED FOR THE RECORD

### By Government Witnesses

Commerce, Department of:
Stans, Hon. Maurice H., Secretary:
Cordage industry (United States), information concerning imports and employment status ---- 491
DISC, letter relating to, with enclosure, to Chairman Mills ---- 2334
Escape clause decisions of Tariff Commission, and President's actions thereon ---- 465
Wool/man-made fiber textiles, foreign import restrictions on, report ---- 309
Labor, Department of:
Shultz, Hon. George P., Secretary:
Exports and imports, employment relationships ---- 608
Letter dated June 17, 1970, to Chairman Mills, with attachment proposing amendment to section 304 of H.R. 14870 ---- 594
Written statement concerning "Cabinet Task Force Report on Oil Import Control" with appendix containing observations of some criticisms of the task force report which occurred during testimony of June 3, 1970 ---- 2340
State, Department of, David M. Abshire, Assistant Secretary for Congressional Relations:
Letter dated May 21, 1970, to Chairman Mills, with regard to wages ---- 579
Letter to Chairman Mills ---- 4212
Trade Negotiations, Office of Special Representative of, Hon. Carl J. Gilbert, Special Representative:
Benzenoid chemicals, title IV of H.R. 17551 (90th Cong.), statement pertaining to ---- 660
Border tax adjustments ---- 726
Export-import trade breakdown, category by category ---- 127
Response to Synthetic Organic Chemical Manufacturers Association (SOCMA) questions ---- 719
Staff Papers and Inventory of Industrial Nontariff Barriers ---- 166

Treasury, Department of:
Englert, Roy T., Acting General Counsel, letter dated June 16, 1970, to Chairman Mills with regard to GATT ---- Page 528
Nolan, John S., Acting Assistant Secretary for Tax Policy:
Company and Industry Responses to DISC Proposal, comments ---- 543
U.S. Income Tax Provisions Affecting Tax Planning for Sales in Foreign Markets, summary ---- 546
Report entitled "Domestic International Sales Corporation, Technical Explanation of Treasury Proposal" ---- 511
Rossides, Eugene T., Assistant Secretary for Enforcement and Operations:
Antidumping and countervailing duty laws, information regarding administration of ---- 523
Response to testimony of Cast Iron Soil Pipe Institute, letter dated July 16, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosures ---- 1822a
Volcker, Paul A., Under Secretary for Monetary Affairs:
Foreign direct taxation laws affecting export activities, provisions in ---- 548
Treasury revenue estimates concerning DISC ---- 524

By Public Witnesses

Ajinomoto Co. of New York, Inc., H. William Tanka, statement ---- 3621
Alcan Aluminum Corp., Eric A. Trigg, president, statement ---- 3831
Alder, Donald H., president, Maestro Import Industries, Inc., letter, dated May 13, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 3305
Allerhand, Irving W., on behalf of CITC Industries, Inc., statement ---- 2171
Aluminum Association, Monroe Leigh, counsel, international policy committee, statement ---- 3827
Amalgamated Clothing Workers of America, supplemental statement preceded by letter of transmittal from Stanley H. Ruttenberg ---- 1271
Amalgamated Meat Cutters and Butcher Workmen (AFL-CIO), Leon B. Schachter, vice president and director, Washington office, statement ---- 3961
Amana Refrigerator, Inc., William L. Hullsiek, vice president, corporate development, prepared statement submitted by Representative Schwengel of Iowa ---- 1209
American Association of University Women, Mrs. Jean Ross, chairman, legislative program committee, statement ---- 1746
American Cotton Shippers Association, Neal P. Gillen, vice president and general manager, letter, dated June 8, 1970, to Chairman Mills ---- 2606
American Cyanamid Co., C. D. Siverd, president and chief executive officer, statement ---- 3630
American Federation of Labor-Congress of Industrial Organizations, Andrew J. Biemiller, director, department of legislation:
Policy resolution ---- 1015
Letter to Chairman Mills ---- 2603
American Flint Glass Workers' Union of North America, George M. Parker, president, statement ---- 4061
American Footwear Manufacturers Association, Iver M. Olson, vice president, letter dated June 17, 1970, to Chairman Mills, with enclosures ---- 2036
American Fur Breeder, Harold Scales, editor and publisher, statement ---- 3181
American Importers Association:
Machine tool group, Eric R. Bachman, chairman of steering committee, statement ---- 2556
Textile and apparel group, Michael P. Daniels, counsel:
"Long-Term Textile Outlook: More" (paper) ---- 1333
"Textiles in the Seventies," article from the Chemical and Engineering News ---- 1345
Trade policy committee, Ralph H. Cutler, Jr., chairman, brochure entitled "Here's What's Wrong With Import Quotas" ---- 938
American Institute of Certified Public Accountants, Division of Federal Taxation, statement ---- 2602
American Paper Institute, John F. Darrow, vice president, letter, dated June 2, 1970, to Chairman Mills ---- 2604
American Petroleum Refiners Association, Walter Famariss, Jr., president, statement ---- 2370

Page

Amity Leather Products Co., Leonard E. Benedict, secretary, letter dated May 27, 1970, to Chairman Mills 2175
Apel, Peter C., president, Upholstery & Decorative Fabrics Association of America, letter dated June 23, 1970, to Chairman Mills 1603
Associated Fur Manufacturers Association, Inc., J. George Greenberg, executive vice president, statement 3183
Association of Food Distributors, Inc., Harold Bruce, executive vice president, statement 4338
Association of Yarn Distributors, Mars J. Bishop, president, letter dated May 22, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 1596
Association of Fur Farm Suppliers, Inc.:
Bear, David A., past president, statement 3179
Graff, Herbert, statement 3179
Atkins, Edward, executive vice president, Volume Footwear Retailers of America, supplementary statement 2088
Australia, Government of, letter dated June 16, 1970, forwarded by letter of transmittal from the U.S. Department of State 1579
Auto Air Accessories, Inc., Howard E. Roberts, president, letter, dated June 9, 1970, to Chairman Mills 2644
Automobile Manufacturers Association, Inc., Thomas C. Mann, president, letter dated May 20, 1970, to Chairman Mills 1728
B. F. Goodrich Co., Charles M. Jorgeson, general manager, textile division, statement 1613
Bachmann, Eric R., chairman of steering committee, American Importers Association, machine tool group, statement 2556
Baguena, Mariano, executive secretary, Spain-U.S. Chamber of Commerce, Inc., statement 1736
Baker, Hon. Howard H., Jr., a U.S. Senator from the State of Tennessee, statement 3619
Ballantyne of Omaha (Nebr.), Inc., J. Robert Hoff, president, statement 3047
Barschdorf, Milton P., port director, Greenville (Miss.) Port Commission, letter, dated June 5, 1970, to Chairman Mills 2635
Bauer, Richard J., chairman of the board, Independent Zinc Alloyers Association, statement 4120
Baughman, Harry W., Jr., national president, Window Glass Cutters League of America, statement 4063
Beam's International Division, O. T. Beam, letter, dated June 8, 1970, to Chairman Mills 2644
Bear, David A., past president, Association of Fur Farm Suppliers, Inc., statement 3179
Beemer, George T., manager, Florida Flower Association, Inc., statement 2800
Benedict, Leonard E., secretary Amity Leather Products Co., letter dated May 27, 1970, to Chairman Mills 2175
Berard, Jack B., president, Pacific Coast Coffee Association:
Letter, dated May 25, 1970, to Chairman Mills 3964
Letter, dated June 26, 1970, to Chairman Mills, with attachments 3964
Berman, A. T., Toby Berman Corp., letter dated May 20, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 1568
Berry, Hon. E. Y. a Representative in Congress from the State of South Dakota, statement 1700
Biemiller, Andrew J., director, department of legislation, American Federation of Labor–Congress of Industrial Organizations:
Policy resolution 1015
Letter to Chairman Mills 2603
Birkhead, Frank, Jr., manager, McAllen (Tex.) Industrial Board, statement 3293
Bishop, Mars J., president, Association of Yarn Distributors, letter dated May 22, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 1596
Boecklin, George E., president, National Coffee Association, letter, dated May 13, 1970, to Chairman Mills, with attachment 3960
Borsum, Leslie C., sales manager, feed sales division, Kellogg Co., statement 3188
Boss Manufacturing Co., Kurt Schaffer, vice president-administration, statement 3308

Page

Bourbon Institute, V. Adm. William J. Marshall, U.S.N. (ret.), president, statement ---- 2811
Brennan, Joseph P., director of research, and marketing, United Mine Workers of America, statement ---- 2366
Briggs, Porter, executive secretary, Catfish Farmers of America, statement ---- 3898
Brock, Hon. W. E., a Representative in Congress from the State of Tennessee, letter, dated June 17, 1970, to Chairman Mills ---- 3619
Brownsville (Texas), Port of, Al Cisneros, general manager and port director, letter dated June 3, 1970, to Chairman Mills, with enclosure ---- 2389
Bruce, David S., chairman, Petrochem Group, statement ---- 2362
Bruce, Harold, executive vice president, Association of Food Distributors, Inc., statement ---- 4338
Bruno, Vincent J., director, World Trade Department, Commerce and Industry Association of New York, letter, dated May 21, 1970, to Chairman Mills ---- 3292
Builders Hardware Manufacturers Association, Clyde T. Nissen, executive director, statement ---- 3812
Burrows, Fred W., executive vice president, International Apple Association, Inc., letter, dated June 22, 1970, to Chairman Mills, with enclosure ---- 4391
Business Equipment Manufacturers Association, John S. Voorhees, counsel, statement ---- 3237
Butler, George D., president, Electronic Industries Association, position paper ---- 2834
Byrne, George P., Jr., secretary, United States Wood Screw Service Bureau, letter dated June 5, 1970, to Chairman Mills, with attachments ---- 3815
Bywater, William, vice president, International Union of Electrical, Radio, & Machine Workers:
  Summary and statement given before the Tariff Commission on May 5, 1970 ---- 2914
  "The Developing Crisis in Electronics and Companion Industries," article ---- 2908
California Council for International Trade, G. B. Levine, chairman, legislative committee:
  Letter dated May 15, 1970, to Chairman Mills, with attachments ---- 3292
  Letter dated June 17, 1970, to Chairman Mills, with position paper ---- 2633
California Dried Fig Advisory Board, Ron Klamm, manager, statement ---- 4375
California Fig Institute, Ron Klamm, managing director, statement ---- 4375
California State Chamber of Commerce, Ernest J. Loebbecke, president, letter of transmittal dated April 16, 1970, to Chairman Mills, with enclosures ---- 1701
Candle Manufacturers Association, H. R. Parker, secretary, letter, dated May 26, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 2785
Canners League of California, statement ---- 4161
Card Clothing Manufacturers Association, E. A. Snape, Jr., chairman, tariff committee, statement ---- 1589
Carlson, Paul, on behalf of the Welded Steel Tube Institute, statement ---- 1935
Caskie, Maxwell, vice president, Reynolds Metals Co., letter dated June 26, 1970, to Chairman Mills ---- 3831
Cast Iron Soil Pipe Institute, Wiley J. Perry, Jr., chairman, import study committee:
  Letter dated April 9, 1968, to Secretary of the Treasury Henry H. Fowler ---- 1816
  Letter dated April 17, 1970, to Secretary of the Treasury David M. Kennedy ---- 1818
Catfish Farmers of America, Porter Briggs, executive secretary, statement ---- 3898
Cement Industry Antidumping Committee, Donald Hiss, counsel:
  Letter dated June 16, 1970, to Congressman Betts of Ohio ---- 4111
  Letter dated June 16, 1970, to Congressman Conable of New York ---- 4110
Chamber of Commerce of the United States:
  Ostrander, F. Taylor, speech delivered to Chamber of Commerce of Buffalo, N.Y., May 22, 1970 ---- 1062
  Statham, Robert R., taxation and finance manager, statement ---- 2602
Cheese Importers Association of America, Inc., Martin A. Fromer, counsel, letter dated June 3, 1970, to Chairman Mills ---- 4221

Page

Chemco Group, Morse G. Dial, Jr., chairman, and Petrochem Group, David S. Bruce, chairman, statement 2362
Cheney Bros., Hon. Albert P. Morano, letter dated April 13, 1970, to Chairman Mills 1614
Cherokee Products Co., Jesse G. Moore, letter dated June 1, 1970, forwarded by Congressman Landrum of Georgia 4339
Chilton, Werner F., president, West Coast Metal Importers Association, letter dated June 10, 1970, to Chairman Mills 1920
Christensen, John R., John R. Christensen Associates, letter dated June 25, 1970, to the Committee on Ways and Means 2783
Chrysler Corp., Brian T. O'Keefe, assistant comptroller, letter dated May 27, 1970, to Chairman Mills 2637
Cisneros, Al, general manager and port director, Port of Brownsville (Texas), letter dated June 3, 1970, to Chairman Mills, with enclosure 2389
CITC Industries, Inc., Irving W. Allerhand, statement 2171
Clayman, Jacob, administrative director, Industrial Union Department, AFL–CIO, letter dated June 29, 1970, to Chairman Mills, with enclosures 1789
Cleveland, Hon. James C., a Representative in Congress from the State of New Hampshire:
Letter dated June 11, 1970, to Chairman Mills, with attachments 3361
Letter dated June 26, 1970, to Chairman Mills, with attachments 3363
Cold Spring Granite Co., Kenneth R. Kruchten, director of marketing, letter dated June 8, 1970, to Chairman Mills, with attachment 4154
Committee for a National Trade Policy, David J. Steinberg, secretary and chief economist:
"Wanted for U.S. Trade Policy: A Single Baton and a Certain Trumpet" (speech before the Newark Rotary Club, June 2, 1970) 879
"U.S. on a Collision Course in Trade Policy," (speech before the Milwaukee World Trade Club, October 2, 1969) 874
Committee of Producers of Ferroalloys and Related Products, Lloyd Symington, counsel, letter dated June 26, 1970, to Chairman Mills, with statement 1922
Commerce and Industry Association of New York, Vincent J. Bruno, director, World Trade Department, letter, dated May 21, 1970, to Chairman Mills 3292
Conner, Doyle, commissioner, Florida Department of Agriculture and Consumer Services, letter dated June 1, 1970, to Chairman Mills 4317
Conte, Hon. Silvio O., a Representative in Congress from the State of Massachusetts, statement 3019
Control Data Corp., Hugh P. Donaghue, assistant to the president, statement 2990
Cook Industries, Inc., Frank A. Jones, Jr., executive vice president-finance, letter, dated June 8, 1970, to Chairman Mills 2643
Cooperative League of the USA, Stanley Dreyer, president, letter dated May 14, 1970, to Chairman Mills 1728
Cordage Institute of the United States, statement 1249
Corn Refiners Association, Inc., Robert C. Liebenow, president, letter, dated June 9, 1970, to Chairman Mills 4396
Cox, Langford & Brown, counsel, Glaverbel (USA), Inc., letter dated June 26, 1970, to Chairman Mills 4022
Crompton Co., Inc., Howard Richmond, president, statement 1611
Crystal International Corp., David P. Houlihan, counsel, statement 4005
Cutler, Ralph H., Jr., chairman, trade policy committee, American Importers Association, brochure titled "Here's What's Wrong With Import Quotas" 983
Dana Corp., R. C. McPherson, president, letter dated June 1, 1970, to Chairman Mills, with statement 2639
Daniels, Michael P., Washington counsel:
American Importers Association, textile apparel group:
"Long-Term Textile Outlook: More" (paper) 1333
"Textiles in the Seventies," article from the Chemical and Engineering News 1345
Swiss Union of Commerce and Industry, statement forwarded by Swiss Embassy through the Department of State 3622

Page

Danish American Trade Council, Knud Sorensen, president, statement 1740
Darrow, John F., vice president, American Paper Institute, letter, dated June 2, 1970, to Chairman Mills 2604
Davis Equipment, W. W. Hanley, controller, letter, dated June 9, 1970, to Chairman Mills 2643
David, Joffre C., secretary-treasurer, Florida Fruit & Vegetable Association, statement 4340
Deisler, Paul F., Jr., vice president, manufacturing, transportation and supplies, and marketing, letter, dated June 25, 1970, to Chairman Mills, with statement 2280
Design Products, Inc., Harry Goodman, president, letter dated May 20, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3823
DeRan, James, general manager, Farmers Production Credit Association, letter dated June 19, 1970 4401
DeWick, John S., vice president, FMC Corp., letter, dated June 17, 1970, to Chairman Mills 3634
Dial, Morse G., chairman, Chemco Group, statement 2362
Domestic Manufacturers of Knotted Fish Netting and Fishing Nets, Howard C. Johnson, statement 1597
Donaghue, Hugh P., assistant to the president, Control Data Corp., statement 2990
Dorn, Hon. Wm. Jennings Bryan, a Representative in Congress from the State of South Carolina, statement 1570
Douglas, Donald W., Jr., corporate vice president for administration, McDonnell Douglas Corp., statement 3849
Dowland, Robert E., vice president, Mitchum Co., letter, dated June 3, 1970, to Chairman Mills 2645
Dreyer, Stanley, president, Cooperative League of the USA, letter dated May 14, 1970, to Chairman Mills 1728
E. D. Magnus & Associates, Inc., Frank G. Reinhard, president, letter, dated May 26, 1970, to Chairman Mills 2644
E. I. du Pont de Nemours & Co., Samuel Lenher, vice president, letter dated June 3, 1970, to Chairman Mills (with enclosure) 1605
Electronic Industries Association, George D. Butler, president, position paper 2834
Emergency Committee for American Trade:
  Haggerty, Patrick E., statement 752
  Townsend, Lynn, article entitled "Digest of Import Duties for Motor Vehicles Levied by Selected Countries" 760
Evans, C. M., president, Welch Allyn, Inc., Skaneateles Falls, N.Y. 3042
Evans, Hon. Daniel J., Governor, State of Washington, letter dated May 27, 1970, to Chairman Mills (with enclosure) 1696
Evaporated Milk Association, Fred J. Greiner, executive vice president, statement 4221
Exportadora, Inc., of Illinois, W. R. Magnus, president, letter, dated June 22, 1970, to Chairman Mills 2645
Falk, Bernard H., vice president, government and membership services, National Elecerical Manufacturers Association, letter dated June 16, 1970, to Chairman Mills, with attachments 2941
Famariss, Walter, Jr., president, American Petroleum Refiners Association, statement 2370
Farmers Production Credit Association, Jay K. Kohler, president, and James DeRan, general manager, letter dated June 19, 1970 4400
Farrar, Hon. Frank L., Governor, State of South Dakota, letter dated June 1, 1970, to Chairman Mills 3730
Field, Richard M., president, Tea Association of the United States of America, Inc., letter dated June 19, 1970, to Chairman Mills 4401
Fine & Specialty Wire Manufacturers Association, J. A. Mogle, chairman foreign trade committee, statement 1954
First Devonshire Corp. (New York, N.Y.), Yale L. Meltzer, assistant director of research, statement 3637
First National Bank of Memphis, William W. Mitchell, president, letter, dated June 10, 1970, to Chairman Mills 2646

Page

Flegenheimer, Ernest, president, Michigan Sugar Co., statement, forwarded by Congressman James Harvey, of Michigan ---- 2395
Florida Citrus Commission, Edward A. Taylor, executive director, citrus department, letter dated May 28, 1970, to Chairman Mills ---- 4316
Florida Citrus Mutual, Robert W. Rutledge, executive vice president, brief in behalf of the Florida citrus growers ---- 4309
Florida Department of Agriculture & Consumer Services, Doyle Conner, commissioner, letter, dated June 1, 1970, to Chairman Mills ---- 4317
Florida Flower Association, Inc., George T. Beemer, manager, statement ---- 2800
Florida Fruit & Vegetable Association, Joffre C. David, secretary-treasurer, statement ---- 4340
Florida Fresh Citrus Shippers Association, W. G. Strickland, secretary-general manager, letter dated June 3, 1970, to Robert W. Rutledge, executive vice president ---- 4316
FMC Corp., John S. DeWick, vice president, letter, dated June 17, 1970, to Chairman Mills ---- 3634
Form-O-Uth Co., Calvin Fraser, president, letter, dated June 19, 1970, to Committee on Ways and Means ---- 3306
Forrow, Brian D., letter dated June 16, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 1709
Fraser, Calvin, president, Form-O-Uth Co., letter, dated June 19, 1970, to Committee on Ways and Means ---- 3306
Fromer, Martin A., counsel, Cheese Importers Association of America, Inc., letter, dated June 3, 1970, to Chairman Mills ---- 4221
Fur Dresser's Bureau of America, Arthur M. Stringari, legal counsel, statement ---- 3185
Furriers Joint Council of New York, Oscar Ward, assistant manager, letter dated June 18, 1970, to Chairman Mills, with enclosure ---- 3167
Gasket Materials Producers Institute, Inc., Charles A. Hofmann, president, letter, dated June 12, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 2558
General Electric Co., New York, N.Y., statement ---- 3023
General Time Corp., statement ---- 3298
Gillen, Neal P., vice president and general manager, American Cotton Shippers Association, letter, dated June 8, 1970, to Chairman Mills ---- 2606
Gillon, J. Werner, president, Status Shoe Corp., statement ---- 2169
Glaverbel (USA), Inc., Cox, Langford & Brown, counsel, letter dated June 26, 1970, to Chairman Mills ---- 4022
Goodling, Hon. George A., a Representative in Congress from the State of Pennsylvania, statement ---- 2165
Goodman, Harry, president, Design Products, Inc., letter dated May 20, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 3823
Graff, Herbert, in behalf of Association of Fur Farm Suppliers, Inc., statement ---- 3179
Graham, Harry L., legislative representative, National Farmers Organization, supplemental statement entitled, "The United States and the I.G.A." ---- 994
Greeff Fabrics, Inc., Theodore Greeff, president, letter dated June 24, 1970, to Chairman Mills ---- 1614
Greeff, Theodore, president, Greeff Fabrics, Inc., letter dated June 24, 1970, to Chairman Mills ---- 1614
Green Coffee Association of New Orleans, Trion T. Harris, president, letter dated May 11, 1970, to Chairman Mills ---- 3968
Greenberg, J. George, executive vice president, Associated Fur Manufacturers Association, Inc., statement ---- 3183
Greenville (Miss.) Port Commission, Milton P. Barschdorf, port director, letter dated June 5, 1970, to Chairman Mills ---- 2635
Greiner, Fred J., executive vice president, Evaporated Milk Association, statement ---- 4221
Grospiron, A. F., president, Oil, Chemical and Atomic Workers International Union, statement ---- 3626
Gulf+Western Industries, Inc., Victor L. Nutt, Washington counsel, letter, dated June 15, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 3295

Page

Haggerty, Patrick E., member, Emergency Committee for American Trade, statement ---- 752
Hampton, Robert N., director of marketing and international trade, National Council of Farmer Cooperatives, statement ---- 4269
Harris, Trion T., president, Green Coffee Association of New Orleans, letter dated May 11, 1970, to Chairman Mills ---- 3968
Harvey, H. A., Jr., president, Harvey Industries, Inc., statement ---- 4072
H. Kohnstamm & Co., Inc., Paul L. Kohnstamm, president, letter dated May 20, 1970, to Chairman Mills ---- 3633
Hadley, G. L., president, National Livestock Feeders Association, statement ---- 3704
Hanley, W. W., controller, Davis Equipment, letter dated June 9, 1970, to Chairman Mills ---- 2643
Hanson, Orin T., manager, agricultural and world trade department, Greater Minneapolis Chamber of Commerce, statement ---- 3635
Hardwood Plywood Manufacturers Association, statement ---- 3197
Harman, Roy D., Christianburg, Va., statement ---- 3194
Harshaw Chemical Co., J. A. Zelek, vice president-general manager, pigment and dye department, letter dated May 20, 1970, to the Committee on Ways and Means ---- 3635
Hatfield, Hon. Mark O., a U.S. Senator from the State of Oregon, letter dated June 26, 1970, to Chairman Mills, with attachments ---- 3174
Henderson, David W., executive secretary, National Board of Fur Farm Organizations, statement ---- 3073
Hendricks, H. L., Volco, Inc., letter dated May 16, 1970, forwarded by Congressman Graham Purcell of Texas ---- 2177
Hills Brothers Coffee, Inc., Reuben W. Hills III, president, telegram dated May 18, 1970, to Chairman Mills ---- 3968
Hiss, Donald, counsel, Cement Industry Antidumping Committee:
  Letter dated June 16, 1970, to Congressman Betts of Ohio ---- 4111
  Letter dated June 16, 1970, to Congressman Conable of New York ---- 4110
Hoff, J. Robert, president, Ballantyne of Omaha (Nebr.), Inc., statement ---- 3047
Hofmann, Charles A., president, Gasket Materials Producers Institute, Inc., letter dated June 12, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 2558
Holmberg, Donald W., secretary, U.S./Mexico Border Cities Association, letter dated May 25, 1970, to the Committee on Ways and Means, with statements ---- 3254
Hommel, E. M., president, O. Hommel Co., letter dated May 18, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 3640
Houlihan, David P., counsel, Crystal International Corp., statement ---- 4005
Hughes, H. B., Hughesco, Inc., letter dated May 20, 1970, forwarded by Congressman Graham Purcell of Texas ---- 2176
Hughesco, Inc., H. B. Hughes, letter dated May 20, 1970, forwarded by Congressman Graham Purcell of Texas ---- 2176
Hullsiek, William L., vice president, corporate development, Amana Refrigerator, Inc., prepared statement, submitted by Representative Schwengel of Iowa ---- 1209
Hungate, Hon. William L., a Representative in Congress from the State of Missouri, letter dated June 23, 1970, to Chairman Mills ---- 3731
Illinois, State of, Hon. Richard B. Ogilvie, Governor, statement ---- 1694
Impression Fabrics Group, J. A. Sullivan, Jr., chairman, letter dated June 5, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 1591
Independent Petroleum Association of America, Robert E. Mead, president, statement (submitted by Minor Jameson, executive vice president) ---- 2289
Independent Refiners Association of America, statement ---- 2377
Independent Zinc Alloyers Association, Richard J. Bauer, chairman of the board, statement ---- 4120
Industrial Union Dept., AFL–CIO, Jacob Clayman, administrative director, letter dated June 29, 1970, to Chairman Mills, with enclosures ---- 1789
Institute on U.S. Taxation of Foreign Income, supplemental statement ---- 2450
International Apple Association, Inc., Fred W. Burrows, executive vice president, letter, dated June 22, 1970, to Chairman Mills, with enclosure ---- 4391

International Ladies' Garment Workers' Union:
Supplemental Statement preceded by letter of transmittal from Stanley H. Ruttenberg ---- Page 1271
Teper, Lazare, director, research department, letter dated June 8, 1970, to Chairman Mills, with statement ---- 3218
International Molders & Allied Workers Union, Carl Studenroth, vice president, statement ---- 1933
International Union of Electrical, Radio, & Machine Workers, William Bywater, vice president:
Summary and statement given before the Tariff Commission on May 12, 1970 ---- 2914
"The Developing Crisis in Electronics and Companion Industries," article ---- 2908
Italian Embassy, Alberto Rossi, Commercial Minister, letter of transmittal dated June 12, 1970, with memorandum, to Robert M. Beaudry, Country Director, Department of State, forwarded by Department of State ---- 1742
Italy-America Chamber of Commerce, footwear importers group, Gunter von Conrad, counsel, brief ---- 1664
J. B. Hargrave Naval Architects, Inc., J. B. Hargrave, president, letter dated May 13, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 2646
John R. Christensen Associates, John R. Christensen, letter dated June 25, 1970, to the Committee on Ways and Means ---- 2783
Johnson, Howard C., on behalf of certain domestic manufacturers of knotted fish netting and fish nets, statement ---- 1597
Jones, Felix C., president, United Cement, Lime & Gypsum Workers International Union, statement ---- 4058
Jones, Frank A., Jr., executive vice president-finance, Cook Industries, Inc., letter dated June 8, 1970, to Chairman Mills ---- 2643
Jorgeson, Charles M., general manager, B. F. Goodrich Co., textile division, statement ---- 1613
Kahn, Max L., on behalf of woven label manufacturers of the United States of America, letter dated May 20, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means ---- 1603
Keith, Hon. Hastings, a Representative in Congress from the State of Massachusetts,
Letter, dated June 12, 1970, to Chairman Mills ---- 3899
Statement ---- 2427
Kellogg Co., Leslie C. Borsum, sales manager, feed sales division, statement ---- 3188
Klamm, Ron, managing director, California Fig Institute; manager, California Dried Fig Advisory Board, statement ---- 4375
Knowles, Hon. Warren P., Governor, State of Wisconsin, letter dated June 4, 1970, to Chairman Mills ---- 3174
Kohler, Jay K., president, Farmers Production Credit Association, letter dated June 19, 1970 ---- 4400
Kohnstamm, Paul L., president, H. Kohnstamm & Co., Inc., letter dated May 20, 1970, to Chairman Mills ---- 3633
Korea, Republic of, memorandum dated June 9, 1970, forwarded by letter of transmittal from the U.S. Department of State ---- 1580
Kornegay, Horace R., president, Tobacco Institute, Inc., statement ---- 2820
Kruchten, Kenneth R., director of marketing, Cold Spring Granite Co., letter dated June 8, 1970, to Chairman Mills, with attachment ---- 4154
Kust, Leonard E., vice president and general counsel, Westinghouse Electric Corp., statement ---- 2636
Leaf Tobacco Exporters Association, Inc. Malcolm B. Seawell, executive secretary, letter dated June 11, 1970, to the Committee on Ways and Means ---- 2825
Leigh, Monroe, counsel, international policy committee, Aluminum Association, statement ---- 3827
Lenher, Samuel, vice president, E. I. du Pont de Nemours & Co., letter dated June 3, 1970, to Chairman Mills (with enclosure) ---- 1605
Lennon, Hon. Alton, a Representative in Congress from the State of North Carolina, letter dated June 17, 1970, to Chairman Mills ---- 1549

Page

Levine, G. B., chairman, legislative committee, California Council for International Trade:
Letter dated May 15, 1970, to Chairman Mills, with attachment 3292
Letter dated June 17, 1970, to Chairman Mills, with attachment 2633
Liebenow, Robert C., president, Corn Refiners Association, Inc., letter dated June 9, 1970, to Chairman Mills 4396
Loebbecke, Ernest J., president California State Chamber of Commerce, letter of transmittal dated April 16, 1970, to Chairman Mills, with enclosures 1701
Low, Charles H., executive committee member, National Board of Fur Farm Organizations, statement 3078
Ludlow Corp., J. C. Mahoney, vice president, letter dated May 20, 1970, to Chairman Mills 1611
Maestro Import Industries, Inc., Donald H. Adler, president, letter dated May 13, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3305
Magdanz, Don F., executive secretary-treasurer, National Livestock Feeders Association:
"The Truth About Beef Supplies and Beef Prices," document dated April 8, 1970 3718
"The Truth About Processed Beef Supplies and Prices," sequel to document of April 8, 1970 3704
Magnus, W. R., president, Exportadora, Inc., of Illinois, letter, dated June 22, 1970, to Chairman Mills 2645
Mahoney, J. C., vice president, Ludlow Corp., letter dated May 20, 1970, to Chairman Mills 1611
Mahoney, John H., senior vice president, Seaboard World Airlines, letter dated June 11, 1970, to Chairman Mills 1729
Man-Made Fiber Producers Association, Claude Ramsey, chairman, supplemental memorandum 1477
Mann, Hon. James R., a Representative in Congress from the State of South Carolina 1577
Mann, Thomas C., president, Automobile Manufacturers Association, Inc., letter dated May 20, 1970, to Chairman Mills 1728
Marks Specialties, Inc., Harry L. Marks, chairman of the board, statement 2759
Marshall, V. Adm. William J., U.S.N. (ret.), president, Bourbon Institute, statement 2811
Martin, George B., Jr., member, Memphis (Tenn.) Regional Export Expansion Council, letter, dated June 3, 1970, to Chairman Mills 2646
Mathias, Hon. Bob, a Representative in Congress from the State of California, letter dated June 12, 1970, to Chairman Mills, with enclosures 2357
Mattutat, F. M., president, R. B. Willson, Inc., letter dated June 15, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4252
May, Hon. Stephen, mayor, city of Rochester, N.Y., statement 1316
Mazzocchi, Anthony, citizenship-legislative director, Oil, Chemical and Atomic Workers International Union, AFL-CIO, statement 4151
McAllen (Tex.) Industrial Board, Frank Birkhead, Jr., manager, statement 3293
McDonnell Douglas Corp., Donald W. Douglas, Jr., corporate vice president for administration, statement 3849
McIntyre, Hon. Thomas J., a U.S. Senator from the State of New Hampshire, statement 2166
McMillan, Hon. John L., a Representative in Congress from the State of South Carolina, statement 3648
McPherson, R. C., president, Dana Corp., letter, dated June 1, 1970, to Chairman Mills, with attachment 2639
Mead, Robert E., president, Independent Petroleum Association of America, statement (submitted by Minor Jameson, executive vice president) 2289
Meat Importers Association, John E. Ward, chairman, statement (submitted by Donn N. Bent) 3697
Meltzer, Yale L., assistant director of research, First Devonshire Corp. (New York, N.Y.), statement 3637
Memphis (Tenn.) Regional Export Expansion Council, George B. Martin, Jr., member, letter, dated June 3, 1970, to Chairman Mills 2646

Page

Mercker, A. E., executive secretary, Vegetable Growers Association of America, statement 4390
Metal Masters of Baltimore, Md., H. M. Weiss, president, extension of remarks 1919
Michigan Sugar Co., Ernest Flegenheimer, president, statement, forwarded by Congressman James Harvey of Michigan 2395
Milwaukee Sausage Co., Seattle, Wash., Martin B. Rind, president, statement 3732
(Greater) Minneapolis Chamber of Commerce, Orin T. Hanson, manager, agricultural and world trade department, statement 3635
Mitchell, George F., Washington, D.C., letter dated June 13, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with attachments 4401
Mitchell, William W., president, First National Bank of Memphis, letter, dated June 10, 1970, to Chairman Mills 2646
Mitchum Co., Robert E. Dowland, vice president, letter, dated June 3, 1970, to Chairman Mills 2645
Mitsuboshi Cutlery, New York, Inc., H. William Tanaka counsel, statement 1957
Mogle J. A., chairman, foreign trade committee, Fine & Specialty Wire Manufacturers' Association, statement 1954
Moore, Jesse G., on behalf of Cherokee Products Co., letter dated June 1, 1970, forwarded by Congressman Landrum of Georgia 4339
Moore, Larry, Suamico, Wis., statement 3192
Morano, Hon. Albert P., on behalf of Cheney Bros., letter dated April 13, 1970, to Chairman Mills 1614
Morss, Elliott R., Taxation With Representation, statement 2607
Morton Frozen Foods Division, ITT Continental Baking Co., George R. Vail, president, statement 3733
National Association of Export Management Companies, Arthur A. Singer, president:
  Letter dated June 16, 1970, to Chairman Mills 2605
  Letter to Chairman Mills 4415
National Association of Glue Manufacturers, Inc., W. R. O'Connor, chairman, tariff committee, letter, dated June 9, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 2784
National Board of Fur Farm Organizations:
  Henderson, David W., executive secretary statement 3073
  Low, Charles H., executive member, statement 3078
National Building Granite Quarries Association, Inc., Kneeland Swenson, secretary, letter dated June 5, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4152
National Coal Association, Brice O'Brien, vice president, letter dated June 12, 1970, to Chairman Mills, with enclosures 2327
National Coffee Association, George E. Boecklin, president, letter, dated May 13, 1970, to Chairman Mills, with attachment 3960
National Council of Farmer Cooperatives, Robert N. Hampton, director of marketing and international trade, statement 4269
National Council of Jewish Women, Mrs. Leonard H. Weiner, national president, statement 1744
National Council of Music Importers, Norman R. Sackheim, president, letter dated June 10, 1970, to Chairman Mills, with attachment 3048
National Electrical Manufacturers Association, Bernard H. Falk, vice president, government and membership services, letter dated June 16, 1970, to Chairman Mills, with attachments 2941
National Farmers Organization, Harry L. Graham, legislative representative, supplemental statement entitled "The United States and the I.G.A." 994
National Federation of Independent Business, Edward Wimmer, vice president, letter of transmittal dated May 20, 1970, with enclosures, to Chairman Mills 1731
National Foreign Trade Council, Robert T. Scott, supplemental memorandum 2601
National Grange, John W. Scott, master, statement 4254

National Livestock Feeders Association, Don F. Magdanz, executive secretary-treasurer:
"The Truth About Beef Supplies and Beef Prices," document dated April 8, 1970 — Page 3718
"The Truth About Processed Beef Supplies and Prices," sequel to document of April 8, 1970 — 3714
Hadley, G. L., president, statement — 3704
National Semiconductor Corp., C. E. Sporck, president, statement — 3296
National Soybean Processors Association, statement — 4227
Nation-Wide Committee on Import-Export Policy, O. B. Strackbein, president:
Trade Balances: F.o.b. Versus C.i.f.,, paper — 889
Trade Statistics—A Continuing Distortion, committee paper — 892
Ness Industries, Inc., Oscar Pieper, statement — 3302
New York Chamber of Commerce, Thomas N. Stainback, executive vice president, statement — 1704
Nichols, Hon. Bill, a Representative in Congress from the State of Alabama, statement — 1615
Nissen, Clyde T., executive director, Builders Hardware Manufacturers Association, statement — 3812
Nutt, Victor L., Washington counsel, Gulf+Western Industries, Inc., letter, dated June 15, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 3295
North American Rockwell Corp., Robert C. Wilson, president, commercial products group, statement — 1608
Nosawa, New York, Inc., H. William Tanaka, counsel, statement — 1957
O. Hommel Co., E. M. Hommel, president, letter, dated May 18, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 3640
O'Brien, Brice, vice president, National Coal Association, letter dated June 12, 1970, to Chairman Mills, with enclosures — 2327
O'Connor, W. R., chairman, tariff committee, National Association of Glue Manufacturers, Inc., letter, dated June 9, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 2784
Oddy, Charles F., secretary-treasurer, Optical Manufacturers Association, letter dated May 20, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 3041
Oil, Chemical, and Atomic Workers International Union:
Grospiron, A. F., president, statement — 3626
Mazzochi, Anthony, citizenship-legislative director, statement — 4151
Ogburn, Tom, president, Wilkes (N.C.) Chamber of Commerce, letter of transmittal dated May 11, 1970, to Chairman Mills, with statement — 1710
Ogilvie, Hon. Richard B., Governor, State of Illinois, statement — 1694
O'Keefe, Brian T., assistant comptroller, Chrysler Corp., letter, dated May 27, 1970, to Chairman Mills — 2637
Olsen, Hon. Arnold, a Representative in Congress from the State of Montana, letters, dated May 15 and 22, 1970, with attachments, to Chairman Mills — 3177, 3178
Olson, Iver M., vice president, American Footwear Manufacturers Association, letter dated June 17, 1970, to Chairman Mills, with enclosures — 2036
Optical Manufacturers Association, Charles F. Oddy, secretary-treasurer, letter dated May 20, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 3041
Ostrander, F. Taylor, Chamber of Commerce of the United States, speech delivered to Chamber of Commerce, Buffalo, N.Y., May 2, 1970 — 1062
Pacific Car & Foundry Co., John S. Voorhees, counsel, statement — 3309
Pacific Coast Coffee Association, Jack B. Berard, president:
Letter, dated May 25, 1970, to Chairman Mills — 3964
Letter, dated June 26, 1970, to Chairman Mills, with attachments — 3964
Palmer, John D., president Tobacco Associates, Inc., statement and attachment — 2823
Parker, George M., international president, American Flint Glass Workers' Union of North America, statement — 4061
Parker, H. R., secretary, Candle Manufacturers Association, letter, dated May 26, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 2785

Page

Patterson, Huberta M. secretary, West Virginia League, West Virginia, Pennsylvania, Ohio & Indiana Glass Workers' Protective Leagues, statement 4072
Perry, Wiley J., Jr., chairman, import study group, Cast Iron Soil Pipe Institute:
Letter dated April 9, 1968, to Secretary of the Treasury Henry H. Fowler 1816
Letter dated April 17, 1970, to Secretary of the Treasury David M. Kennedy 1818
Petrochem Group, David S. Bruce, chairman, and Chemco Group, Morse G. Dial, Jr., chairman, statement 2362
Philadelphia Textile Association, Robert E. Putney, Jr., president, letter dated May 27, 1970, to Committee on Ways and Means 1603
Philbin, Hon. Philip J., a Representative in Congress from the State of Massachusetts, letter, dated June 9, 1970, to Chairman Mills 3177
Pieper, Oscar, Ness Industries, Inc., statement 3302
Pin, Clip and Fastener Association, Straight Pin and Safety Pin Divisions, Myron Solter, Counsel, statement 3873
Piquet, Dr. Howard S., Washington, D.C., article entitled, Trends in International Trade of the United States 2686
Pressure Products Industries, Robert J. Senn, sales manager, letter, dated May 22, 1970, to John Martin, Jr., chief counsel, Committee on Ways and Means 2559
Putney, Robert E., Jr., president, Philadelphia Textile Association, letter dated May 27, 1970, to Committee on Ways and Means 1603
Quillen, Hon. James H., a Representative in Congress from the State of Tennessee, letter, dated June 15, 1970, to Chairman Mills 3620
R. B. Willson, Inc., F. H. Mattutat, president, letter dated June 15, 1970, to John M. Martin, Jr., chief counsel, committee on Ways and Means 4252
Ramsey, Claude, chairman, Man-Made Fiber Producers Association, supplemental memorandum 1477
Reading, Pa., city of, Hon. R. H. Yarnell, mayor, resolution re American selling price 3640
Reese, R. S., chairman pro tem., U.S. Earthenware Dinnerware Emergency Committee, statement 4066
Reimann, Bernard, president, Tie Fabrics Importers' Association 1548
Reinhard, Frank G., president, E. D. Magnus & Associates, Inc., letter, dated May 26, 1970, to Chairman Mills 2644
Reynolds Metals Co., Maxwell Caskie, vice president, letter dated June 26, 1970, to Chairman Mills 3831
Richmond, Howard, president, Crompton Co., Inc., statement 1611
Rind, Martin B., president, Milwaukee Sausage Co., Seattle, Wash., statement 3732
Roberts, Howard E., president, Auto Air Accessories, Inc., letter, dated June 9, 1970, to Chairman Mills 2644
Robison, Hon. Howard W., a Representative in Congress from the State of New York, statement 2167
Rochester (N.Y.), City of, Hon. Stephen May, mayor, statement 1316
Ross, Mrs. Jean, chairman, legislative program committee, American Association of University Women, statement 1746
Ross, W. J., comanager, Ross-Wells, statement 3191
Rossi, Alberto, Commercial Minister, Italian Embassy, letter of transmittal dated June 12, 1970, with memorandum, to Robert M. Beaudry, country director, Department of State, forwarded by Department of State 1742
Rutledge, Robert W., executive vice president, Florida Citrus Mutual, brief in behalf of the Florida citrus growers 4309
Ruttenberg, Stanley H., president, Stanley H. Ruttenberg & Associates, Inc., letter of transmittal to Chairman Mills, dated June 16, 1970, forwarding supplemental statement of Amalgamated Clothing Workers Union of America and the International Ladies Garment Workers Union 1271
Sackheim, Norman R., president, National Council of Music Importers, letter dated June 10, 1970, to Chairman Mills, with attachment 3048
Saylor, Hon. John P., a Representative in Congress from the State of Pennsylvania, statement 1574

Page

Schachter, Leon B., vice president and director, Washington office, Amalgamated Meat Cutters and Butcher Workmen (AFL–CIO), statement 3961
Schaffer, Kurt, vice president-administration, Boss Manufacturing Co., statement 3308
Scales, Harold, editor and publisher, American Fur Breeder, statement 3181
Schutt, Mrs. William E., Clarksville, Va., letter forwarded by Hon. W. C. "Dan" Daniel 4414
Schiffli Lace & Embroidery Manufacturers Association, I. Leonard Seiler, executive director, statement 1582
Scott, John W., master, National Grange, statement 4254
Scott, Robert T., National Foreign Trade Council, supplement memorandum 2601
Seaboard World Airlines, John H. Mahoney, senior vice president, letter dated June 11, 1970, to Chairman Mills 1729
Seawell, Malcolm B., executive secretary, Leaf Tobacco Exporters Association, Inc., letter, dated June 11, 1970, to the Committee on Ways and Means 2825
Seiler, I. Leonard, executive director, Schiffli Lace & Embroidery Manufacturers Association, statement 1582
Senn, Robert J., sales manager, Pressure Products Industries, letter, dated May 22, 1970, to John Martin, Jr., chief counsel, Committee on Ways and Means 2559
Shapiro Bros. Shoe Co., Inc., Arthur N. Shapiro, letter dated May 22, 1970, forwarded by Congressman William D. Hathaway of Maine 2168
Shell Oil Co., Paul F. Deisler, Jr., vice president, manufacturing, transportation and supplies, and marketing, letter, dated June 25, 1970, to Chairman Mills, with statement 2280
Sherwin Williams Chemicals, division of the Sherwin-Williams Co., G. L. Tickner, eastern sales manager, statement 3632
Shostak, S. Richard, Los Angeles, Calif., article, "United States Textile Articles Assembled Abroad Should be Excepted from Quotas" 3312
Sikes, Hon. Robert F. L., a Representative in Congress from the State of Florida, two statements:
H.R. 15052 1568
Textiles 1569
Singer, Arthur A., president, National Association of Export Management Companies:
Letter dated June 16, 1970, to Chairman Mills 2605
Letter to Chairman Mills 4415
Sisk, Hon. B. F., a Representative in Congress from the State of California, letter, dated May 25, 1970, to Chairman Mills 4390
Siverd, C. D., president and chief executive officer, American Cyanamid Co., statement 3630
Smith, Hon. Preston, Governor of the State of Texas, prepared statement submitted by Congressman George H. Mahon of Texas 2181
Snape, E. A., Jr., chairman, tariff committee, Card Clothing Manufacturers Association, statement 1589
Solter, Myron, Counsel, Pin, Clip and Fastener Association, Straight Pin and Safety Pin Divisions, statement 3873
Sorensen, Knud, president, Danish American Trade Council, statement 1740
South Dakota, State of, Hon. Frank L. Farrar, Governor, letter dated June 1, 1970, to Chairman Mills 3730
Spain-United States Chamber of Commerce, Inc., Mariano Baguena, executive secretary, statement 1736
Sporck, C. E., president, National Semiconductor Corp., statement 3296
Sporting Arms and Ammunition Manufacturers Institute, Robert C. Zimmer, counsel, statement 2786
Stainback, Thomas N., executive vice president, New York Chamber of Commerce, statement 1704
Standard Parts Co. of Houston, A. C. Tabbert, vice president, letter, dated June 8, 1970, to Chairman Mills 2643
Statham, Robert R., taxation and finance manager, Chamber of Commerce of the United States, statement 2602
Status Shoe Corp., J. Werner Gillon, president, statement 2169

Steinberg, David J., secretary and chief economist, Committee for a National Trade Policy:
Wanted for U.S. Trade Policy: A single Baton and a Certain Trumpet (speech before Newark Rotary Club, June 2, 1970) — Page 879
U.S. on a Collision Course in Trade Policy (speech before the Milwaukee World Trade Club, Oct. 2, 1969) — 874
Stevens, Robert Warren, associate professor of international business, Graduate School of Business Administration, Indiana University, statement — 1747
Stewart, Eugene L., general counsel, Trade Relations Council of the United States, letter dated June 19, 1970, to Chairman Mills — 3673
Stitt, Nelson A., director, United States-Japan Trade Council:
Testimony — 1066, 1127
Membership list — 1131
Registration statement filed with Department of Justice, pursuant to Foreign Agents Registration Act of 1938 — 1143
Statement of Congressman John W. Byrnes (Wis.), a Member of the Committee on Ways and Means, with reference to testimony of Mr. Stitt — 1126
Interrogation by Congressman John W. Byrnes (Wis.) of Mr. Stitt — 1155
"A Comparison of Trade and Economic Data" (pamphlet) — 1118
"How Much Would Textile Quotas Cost the United States" (pamphlet) — 1085
Letter, dated May 26, 1970, to Chairman Mills — 1110
Invitation to membership — 1161
Stokely-Van Camp, Inc., Alfred J. Stokely, president, letter, dated June 15, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 4397
Strackbein, O. B., president, Nation-Wide Committee on Import-Export Policy:
Trade Balance: F.o.b. Versus C.i.f., paper — 889
Trade Statistics—A Continuing Distortion, committee paper — 892
Strickland, W. G., secretary-general manager, Florida Fresh Citrus Shippers Association, letter dated June 3, 1970, to Robert W. Rutledge, executive vice president, Florida Citrus Mutual — 4316
Stringari, Arthur M., legal counsel, Fur Dresser's Bureau of America, statement — 3185
Struning, William C., (Pan-American Coffee Bureau) New York, N.Y., letter, dated May 28, 1970, to Chairman Mills, with attachments — 3900
Studenroth, Carl, vice president, International Molders & Allied Workers Union, statement — 1933
Sullivan J. A., Jr., chairman, Impression Fabrics Group, letter dated June 5, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 1591
Swenson, Kneeland, secretary, National Building Granite Quarries Association, Inc., letter dated June 5, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means — 4152
Swiss Union of Commerce and Industry, Michael P. Daniels, Washington counsel, statement, forwarded by Swiss Embassy through Department of State — 3622
Symington, Lloyd, counsel, Committee of Producers of Ferroalloys and Related Products, letter dated June 26, 1970, to Chairman Mills, with statement — 1922
Tabbert, A. C., vice president, Standard Parts Co. of Houston, letter, dated June 8, 1970, to Chairman Mills — 2643
Tanaka, H. William, counsel:
Ajinomoto Co. of New York, Inc., statement — 3621
Mitsuboshi Cutlery, New York, Inc., statement — 1957
Nosawa, New York, Inc., statement — 1957
Toshiba America, Inc., statement — 3035
Taxation With Representation, Elliott R. Morss, statement — 2607
Taylor, Edward A., executive director, citrus department, Florida Citrus Commission, letter dated May 28, 1970, to Chairman Mills — 4316
Taylor, Walter, Stafford Springs, Conn., statement — 3189

Page

Tea Association of the United States of America, Inc., Richard M. Field, president, letter dated June 19, 1970, to Chairman Mills 4401
Teper, Lazare, director, research department, International Ladies' Garment Workers' Union, letter, dated June 8, 1970, to chairman Mills, with statement 3218
Texas, State of, Hon. Preston Smith, Governor, prepared statement submitted by Congressman George H. Mahon of Texas 2181
Thompson, William P., stated clerk, United Presbyterian Church in the United States of America, statement 1744
Tickner, G. L., eastern sales manager, Sherwin Williams Chemicals, Division of the Sherwin-Williams Co., statement 3632
Tie Fabrics Importers' Association, Bernard Reimann, president, statement 1548
Tobacco Associates, Inc., John D. Palmer, president, statement and attachment 2823
Tobacco Institute, Inc., Horace R. Kornegay, president, statement 2820
Townsend, Lynn, on behalf of the Emergency Committee for American Trade, article entitled "Digest of Import Duties for Motor Vehicles Levied by Selected Countries" 760
Toby Berman Corp., A. T. Berman, letter dated May 20, 1970, to John M. Martin, Jr., chief counsel, Committee on Ways and Means 1568
Tool & Stainless Steel Industry Committee, statement 1774
Toshiba America, Inc., H. William Tanaka, counsel 3035
Tozzoli, Guy F., secretary General, World Trade Centers Association, statement 1700
Trade Relations Council of the United States, Eugene L. Stewart, general counsel, letter dated June 19, 1970, to Chairman Mills 3673
Trigg, Eric A., president, Alcan Aluminum Corp., statement 3831
Union Carbide Corp., F. Perry Wilson, president, letter to Chairman Mills, with attachment 2646
United Automobile, Aerospace & Agricultural Implement Workers of America (UAW), Leonard Woodcock, president, statement with attachments 1711
United Cement, Lime & Gypsum Workers International Union, Felix C. Jones, president, statement 4058
United Mine Workers of America, Joseph P. Brennan, director of research and marketing, statement 2366
United Presbyterian Church in the United States of America, William P. Thompson, stated clerk, statement 1744
United States-Japan Trade Council, Nelson A. Stitt, director:
- Testimony 1066, 1127
- Membership list 1131
- Registration statement filed with Department of Justice, pursuant to Foreign Agents Registration Act of 1938 1143
- Statement of Congressman John W. Byrnes (Wis.), a Member of the Committee on Ways and Means, with reference to testimony of Mr. Stitt 1126
- Interrogation by Congressman John W. Byrnes (Wis.) of Mr. Stitt 1155
- "A Comparison of Trade and Economic Data" (pamphlet) 1118
- "How Much Would Textile Quotas Cost the United States" (pamphlet) 1185
- Letter, dated May 26, 1970, to Chairman Mills 1110
- Invitation to membership 1161

U.S. Wood Screw Service Bureau, George P. Byrne, Jr. secretary, letter dated June 5, 1970, to Chairman Mills, with attachments 3815
Upholstery & Decorative Fabrics Association of America, Peter C. Apel, president, letter dated June 23, 1970, to Chairman Mills 1603
U.S. Earthenware Dinnerware Emergency Committee, R. S. Reese, chairman pro tem, statement 4066
United States-Mexico Border Cities Association, Donald W. Holmberg, secretary, letter dated May 25, 1970, to the Committee on Ways and Means, with statements 3254
Vail, George R., president, Morton Frozen Foods Division, ITT Continental Baking Co., Inc., statement 3733
Varel Manufacturing Co., Jim Walker, controller, letter to Chairman Mills 2638

Page

Vegetable Growers Association of America, A. E. Mercker, executive secretary, statement 4390
Volco, Inc., H. L. Hendricks, president, letter dated May 16, 1970, forwarded by Congressman Graham Purcell of Texas 2177
Volume Footwear Retailers of America, Edward Atkins, executive vice president. supplementary statement 2088
Voorhees, John S., counsel:
Business Equipment Manufacturers Association 3237
Pacific Car & Foundry Co., statement 3309
Walker, Jim, controller, Varel Manufacturing Co., letter to Chairman Mills 2638
Ward, John E., chairman, Meat Importers Association, statement (submitted by Donn E. Bent) 3697
Ward, Oscar, assistant-manager, Furriers Joint Council of New York, letter dated June 18, 1970, to Chairman Mills, with enclosure 3167
Washington, State of, Hon. Daniel J. Evans, Governor, letter dated May 27, 1970, to Chairman Mills (with enclosure) 1696
Weiner, Mrs. Leonard H. national president, National Council of Jewish Women, statement 1744
Weiss, H. M., president, Metal Masters of Baltimore, Md., extension of remarks 1919
Welch Allyn, Inc., C. M. Evans, president, Skaneateles Falls, New York, letter 3042
Welded Steel Tube Institute, statement submitted by Paul Carlson 1935
West Coast Metal Importers Association, Werner F. Chilton, president, letter dated June 10, 1970, to Chairman Mills 1920
West Virginia, Pennsylvania, Ohio, & Indiana Glass Workers' Protective Leagues, Huberta M. Patterson, secretary, West Virginia League, statement 4072
Western Oil & Gas Association, statement 2278
Westinghouse Electric Corp., Leonard E. Kust, vice president and general tax counsel, statement 2636
Wilkes (North Carolina) Chamber of Commerce, Tom Ogburn, president, letter of transmittal dated May 11, 1970, to Chairman Mills, with statement 1710
Wilson, F. Perry, president, Union Carbide Corp., letter to Chairman Mills, with attachment 2646
Wilson, Robert C., president, commercial products group, North American Rockwell Corp., statement 1608
Wimmer, Edward, vice president, National Federation of Independent Business, letter of transmittal dated May 20, 1970, with enclosures, to Chairman Mills 1731
Window Glass Cutters League of America, Harry W. Baughman, international president 4063
Winters, Elmer C., acting chairman, Wyoming-Nebraska Regional Export Expansion Council, letter, dated June 9, 1970, to Chairman Mills 2633
Wisconsin, State of, Hon. Warren P. Knowles, Governor, letter dated June 4, 1970, to Chairman Mills 3174
Woodcock, Leonard, president, United Automobile, Aerospace & Agricultural Workers of America (UAW), statement with attachments 1711
World Trade Centers Association, Guy F. Tozzoli, secretary general, statement 1700
Woven Label Manufacturers of the United States of America, Max L. Kahn, letter dated May 20, 1970, to John M. Martin, chief counsel, Committee on Ways and Means 1603
Wyoming-Western Nebraska Regional Export Expansion Council, Elmer C. Winters, acting chairman, letter, dated June 9, 1970, to Chairman Mills 2633
Zelek, J. A., vice president-general manager, pigment and dye department, Harshaw Chemical Co., letter, dated May 20, 1970, to the Committee on Ways and Means 3635
Zimmer, Robert C., counsel, Sporting Arms and Ammunition Manufacturers Institute, statement 2786

# TARIFF AND TRADE PROPOSALS

FRIDAY, MAY 22, 1970

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
*Washington, D.C.*

The committee meet at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. James A. Burke presiding.

Mr. BURKE. The committee will come to order.

Our first witness is the Honorable James Quillen from Tennessee. If you will come forward, Mr. Quillen, we will be glad to hear your testimony.

## STATEMENT OF HON. JAMES (JIMMY) QUILLEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. QUILLEN. Mr. Chairman and members of the committee, thank you for allowing me to appear here today. I hope to contribute usefully to the information you are gathering in your consideration of possible legislative action affecting foreign trade policy and procedure.

I am not here today to support any one industry or group of workers, but rather to describe the total impact of foreign trade in manufactured products on the people of my district. In common with other Members of the House who are not privileged to serve on this great committee, I am absolutely dependent upon your actions to provide relief from the import injury which is affecting a broad cross section of the people in my district.

There are twelve major manufacturing industries operating in my district. They employ 24,735 of my constituents in well-paying American jobs. Their wages directly support about 120,000 residents of the district—about one out of every four of my constituents. Their wages, and the materials purchased and transportation services required by the plants in which they work, spent in the 13 counties of the district, provide a major economic base for service industries, retail establishments, churches, hospitals, and school districts in my district. The homes of these industrial workers, the plants in which they work, and the facilities of the service and transportation industries which serve them together form a major part of the tax base of the local communities in my district. All together these 12 industries are the indispensable source of economic activity on which the welfare of the entire population of my district depends.

The majority of these industries are suffering acutely from excessive import competition. Their workers have suffered job layoffs, and short-time work. Unemployment and underemployment have be-



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come again a specter in my district. Four of 13 counties in my district were classified by the Labor Department as of March 1, 1970, as areas of substantial unemployment.

In the following table I have listed the particulars of the industries in my district which have already sustained market disruption and economic injury from excessive imports.

TABLE 1.—IMPORT-IMPACTED DOMESTIC INDUSTRIES WITH PRODUCTION FACILITIES IN THE 1ST CONGRESSIONAL DISTRICT OF TENNESSEE

| SIC No. | Name of industry | Employment in 1st district, Tennessee, March 1968 | U.S. imports (in millions) | | | National employment in the industry (in thousands) | | |
|---|---|---|---|---|---|---|---|---|
| | | | 1964 | 1969 | Percent change | 1964 | 1969 | February/March 1970 |
| 2032 | Canned specialties (pounds) | 750 | 1.1 | 2.5 | +127 | 25.7 | 31.2 | 23.4 |
| 22 | Textile mill products (square yards) | 1,539 | 752.3 | 1,674.8 | +123 | 892.0 | 987.2 | 961.3 |
| 23 | Apparel and related products (square yards) | 2,805 | 560.7 | 1,518.1 | +171 | 1,302.5 | 1,417.5 | 1,404.3 |
| 2511 | Wood household furniture | 2,714 | $32.6 | $74.5 | +129 | 151.6 | 179.6 | 168.4 |
| 2892 | Explosives (pounds) | 2,000 | 3.2 | 18.3 | +469 | 17.9 | 45.5 | 37.4 |
| 321 | Flat glass (square feet) | 1,559 | 486.1 | 569.2 | +17 | 30.8 | 25.9 | 24.9 |
| 365 | Radio and TV receivers | 2,000 | $243.6 | $939.9 | +286 | 118.8 | 154.6 | 131.8 |

These seven industries have sustained a loss of 90,000 jobs by February or March 1970 compared with the average level of employment in 1969. The flat glass industry won a finding of serious injury and a finding that the tariff on sheet glass should be restored to the statutory level from the Tariff Commission, but the free traders in the executive branch persuaded the President not to do so. The textile and apparel industries have been waiting patiently for the administration to negotiate one or more international agreements to limit imports of textile articles. The executive branch has failed, but still opposes legislative action by your committee.

The electronic products industry sought to have the Executive exercise the right of the United States to modify radio and TV duties, raising them to the level of 25 percent, under the "open season" procedure of article XXVIII of GATT, but the Special Representative for Trade Negotiations squashed that move.

The name of the game in the executive branch is refuse to help *any* domestic industry or group of workers being hurt by imports, and talk, talk, talk while the problem goes away or the industry and its workers give up in despair.

There are three other industries in my district which are acutely vulnerable to administration policy in the trade area. They are shown in the following table.

TABLE 2.—IMPORT-SENSITIVE DOMESTIC INDUSTRIES WITH PRODUCTION FACILITIES IN THE 1ST CONGRESSIONAL DISTRICT OF TENNESSEE THREATENED BY CURRENT ADMINISTRATION TRADE POLICIES

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2818 | Industrial organic chemicals | 2,000 | $104.0 | $245.4 | +136 | 111.1 | 124.2 | 125.5 |
| 2821 | Plastics and resins (pounds) | 2,000 | 14.8 | 64.2 | +334 | 80.9 | 97.3 | 98.0 |
| 2823, 2824 | Man-made fibers (pounds) | 4,983 | 208.2 | 473.6 | +127 | 87.4 | 114.0 | 114.6 |

Source: U.S. Department of Commerce, Bureau of the Census, 1967 Census of Manufactures, 1968 County Business Patterns, IM 146, FT 135, FT 246 (1964, 1969). U.S. Department of Labor, Employment and Earnings Statistics of the United States, 1909–68; March and April 1970.

Industrial organic chemicals and plastics and resins are industries whose production and employment are protected in large part from import injury by the American selling price system of customs valuation. The administration seeks to persuade you to repeal ASP. Virtually the sole beneficiary will be Germany whose export trade surpluses are so large that the whole Western World is concerned about the effect on the financial structure of world trade. These industries are at a point of equilibrium now, as the employment figures suggest. If ASP is repealed, the principal source of strength in my district will be seriously threatened. The ASP agreement was *void ab initio*. It should never have been negotiated. It should not now be honored by this committee.

The manmade fiber producing industry is the largest employer of manufacturing labor in my district. Its operations are adversely affected by every pound of manmade fiber which is imported into the country, whether in the form of fiber, fabric, or apparel. The full burden of manmade fiber textile imports rests on this industry, and threatens the welfare of the largest group of workers in my district. The administration, while commendably doing its best to negotiate an agreement to limit imports of manmade fiber textile products, opposes the inclusion of the basic fiber products in the agreement. What is worse, the Secretary of Commerce has leveled his lance at the definition of textile articles in your bill, Mr. Chairman, H.R. 16920, and seeks to persuade you to delete manmade staple fiber and filaments from the definition, and thus from the scope of your bill. Were you to honor his request, it would directly harm the interests of the workers in the manmade fiber plants in my district. To the extent that you create import-regulating machinery which leaves the fibers themselves out, you provide a gaping loophole for the foreign fiber producers to pour their surplus fiber production through without limitation. I earnestly ask you not to do this.

Let me sum up my testimony with the following requests:

(1) Stick by your guns and report out H.R. 16920 as now written; keep manmade staple fiber and filaments in the bill.

(2) Reject title IV of the administration bill; retain ASP.

(3) Expand your bill, H.R. 16920, to include flat glass and electronic products, as is done in a group of bills pending before your committee, typified by my bill, H.R. 13941.

(4) Expand your bill, H.R. 16920, to include ladies' handbags. Imports are adversely affecting the ladies' handbag industry in the United States as the Japanese are copying and sending their merchandise back to the United States at a much lesser price.

(5) Reform the escape clause as title II of your bill would do, Mr. Chairman, to make the Tariff Commission findings of injury and of the duty increase or quotas needed to correct the injury binding on the President; let's have no more sheet glass or piano cases where free traders in the executive branch torpedo authentic Tariff Commission findings of injury and needed relief.

Thank you, Mr. Chairman, and members of the Committee.

Mr. BURKE. If there are no questions from the committee, we appreciate your coming, Mr. Quillen.

Our next witness this morning is Mr. Charles B. Shuman, president, American Farm Bureau Federation.

## STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION; ACCOMPANIED BY MARVIN McLAIN, DIRECTOR, LEGISLATIVE DEPARTMENT, AND DALE SHERWIN, ASSISTANT DIRECTOR

Mr. SHUMAN. I have with me Mr. Marvin McLain, head of the Legislative Department, American Farm Bureau Federation, and Mr. Dale Sherwin, legislative assistant director.

My name is Charles B. Shuman, president, American Farm Bureau Federation.

We appreciate the opportunity to present Farm Bureau's views with respect to future U.S. foreign trade policy. Farm Bureau is a general farm organization with a membership of 1,865,854 families in 49 States and Puerto Rico. It is a voluntary, nongovernmental organization—the largest general farm organization in the United States—representing farmers from every part of the country who are producers of virtually every domestically produced agricultural commodity.

### FARMERS HAVE GREAT INTEREST IN TRADE

American agriculture has an important stake in a high level of mutually advantageous world trade. Exports represent a significant part of the total market for our agricultural production; the production from approximately one acre out of four is exported. Imports of items used in farm production are also important to farmers since they can help to reduce farmers' costs.

In 1968–69, the total value of U.S. agricultural exports declined 9 percent from the previous year, falling to the lowest level since 1962–63. The value of imports of agricultural products increased 6 percent.

The interest of producers involved in the production of commodities exported in substantial quantities is obvious. Less well-known—but at least as important—is the stake that producers of commodities produced primarily for domestic consumption have in a high level of farm exports. If agricultural exports continue to decline, the land, labor, and capital currently used to produce commodities for export eventually will be used to produce commodities for domestic consumption. This often overlooked fact is what prompts us to state that every U.S. farmer has a stake in a high level of mutually advantageous international trade.

Our goal is to increase exports of agricultural commodities to $10 billion per year. This is a good way both to increase farm income and to improve our national balance of payments.

### TRADE EXPANSION ACT SHOULD BE PASSED

Congress should approve a new Trade Expansion Act authorizing the President to negotiate reductions in our restrictions on imports from nations which are prepared to offer reciprocal benefits for exports from the United States.

If our national trade policy is to be effective we must insist that other nations accord the United States the full benefit of present and future concessions made to this country. We strongly support section 252 of the Trade Expansion Act of 1962. Among other things, this

section directs the President to impose duties or other import restrictions on the products of nations that "impair the value of tariff commitments" to the United States through unjustifiable import restrictions on our agricultural products.

Future negotiations must not only include—they must emphasize—trade in agricultural products, so that U.S. farmers can achieve competitive pricing in the world market on an equitable basis. Negotiations on the reduction of trade barriers must be approached from the standpoint of trade as a whole without separating out agriculture for separate treatment.

### CHANGES ARE NEEDED IN U.S. FARM POLICIES

Some current U.S. farm programs are inconsistent with this Nation's long-range foreign policy objectives. A Government policy designed to depress raw product prices works against—not for—the international interests of the United States.

The objective of conducting mutually advantageous international trade in farm products cannot be attained by proposals to assure producers a relatively high price for that portion of the crop sold domestically or through other devices to hide the total price incentive given to production. The objective should be to sell commodities for export at prices not less than the prices at which the production of the commodities was induced—including payments paid farmers through Government commodity programs.

Present domestic farm programs weaken our ability to negotiate effectively for the reduction of trade restrictions. We can point an accusing finger at the restrictionism of the EEC's variable import levies, but we cannot bargain hard for their reduction when we subsidize agricultural production at home.

### GOVERNMENT SUPPLY-MANAGEMENT PROGRAMS CREATE PRESSURES FOR INTERNATIONAL COMMODITY AGREEMENTS

International commodity agreements are the international counterpart of domestic Government supply-management—a means of getting international sanction for domestic programs which interfere with international trade by subsidizing exports in some cases and restricting imports in others. It is, therefore, to be expected that such agreements will be proposed from time to time as long as we have domestic Government supply-management programs.

International commodity agreements set agricultural trade aside from trade in industrial products and reduce our bargaining power in negotiations with industrial countries.

Agreements which fix prices or divide the world market on the basis of past history limit our ability to expand exports.

The International Wheat Trade Convention illustrates this point.

Prior to the ratification of the Wheat Trade Convention, Farm Bureau testified before the Senate Foreign Relations Committee that it would:

(a) Require the imposition of an export tax on U.S. wheat.

(b) Reduce U.S. wheat exports.

(c) Decrease—not increase—the price U.S. farmers receive for wheat.

(d) Cause the United States to lose its competitive position in the world market in relation to other world wheat exporters .

All of these predictions have been proved accurate. The Wheat Trade Convention did not liberalize world trade in wheat; in fact, it tended to legitimize trade restrictions and to restrict export opportunities for U.S. wheat farmers. Fortunately for wheat farmers, the inverse subsidies imposed in a vain effort to make this convention work have now been suspended, at least temporarily.

International commodity agreements cannot solve national trade problems. The best way to avoid international arrangements which would limit our ability to expand exports is to discontinue Governernment supply-management programs here at home.

TRADE RESTRICTION LEGISLATION

We believe that American agriculture, more than any other segment of our economy, would be seriously injured by legislation imposing import restrictions on individual industrial and agricultural products. Our foreign customers must not be denied the opportunity to earn dollars to pay for our products nor should they be provoked into retaliatory restrictions.

Bills currently before Congress which would legislate restrictions on the imports of petroleum, steel, textiles, lead and zinc, electronic goods, footwear, ball bearings, glass, and many more items could seriously impair our ability to trade.

If these bills were passed, the prices farmers pay for production goods would be increased and our foreign customers probably would retaliate with restrictions on the products we want to export.

COMMISSION ON TRADE AND TARIFFS

A better approach would be to establish a new commission on trade and tariffs with power to act against unfair trade practices.

Industries experiencing expanding imports should have ready access to the proposed commission and the assurance of prompt and appropriate action. The commission should be authorized and directed to:

(1) Take immediate action to restrict imports when there is evidence of dumping, subsidized prices, circumvention of regulations, or other unfair trade practices;

(2) Make prompt determinations and recommendations with respect to temporary relief from import competition which is found to be injuring, or threatening injury to, any U.S. industry;

(3) Consider actions under section 22 of the Agricultural Adjustment Act; and

(4) Remove import restrictions when they are no longer required.

Agricultural import problems such as have existed in meat and dairy products can be handled better through improved administrative procedures than by special legislation.

Although we support the retention of section 22, we urge that domestic agricultural programs be designed to minimize the necessity for trade restrictions under this authority.

SUMMARY

We favor the basic objective of expanding mutually advantageous trade in industrial and agricultural products with countries that are willing to allow U.S. producers to have an equal opoprtunity to compete in the markets of the world.

We favor intensified efforts by our Government, working with farmers and marketing firms, to increase commercial exports of agricultural commodities produced in the United States.

We favor simultaneous, rather than separate, negotiations for trade in industrial and agricultural commodities.

We favor a concerted drive to reduce nontariff barriers to international trade and to eliminate unsound restrictionist devices such as international agricultural commodity agreements, the American selling price system of customs valuation, and the EEC system of variable levies.

We favor the adoption of domestic farm programs that will be consistent with this Nation's long-range foreign policy objectives.

We favor granting authority to the President to make modest reductions in U.S. tariffs, as proposed in H.R 14870.

We favor adjustment assistance as proposed in H.R 14870 to workers and industries adversely affected by imports.

We favor establishing a new Commission on Trade and Tariffs with power to act against unfair trade practices relative to U.S. imports.

We oppose H.R. 16920 and other import restriction bills now before the Congress.

(The summary referred to follows:)

SUMMARY OF FARM BUREAU RECOMMENDATIONS ON TRADE LEGISLATION

Farm Bureau believes American agriculture has an important stake in a high level of mutually advantageous world trade.

FARM BUREAU FAVORS

The basic objective of expanding mutually advantaegous trade in industrial and agricultural products with countries that are willing to allow U.S. producers to have an equal opportunity to compete in the markets of the world.

Intensified efforts by our government, working with farmers and marketing firms, to increase commercial exports of agricultural commodities produced in the U.S.

The continued support of Section 252 of the Trade Expansion Act of 1962. Among other things, this Section directs the President to impose duties or other import restrictions on the products of nations that "impair the value of tariff commitments" to the U.S. through unjustifiable import restrictions on our agricultural products.

A concerted drive to reduce non-tariff barriers to international trade and to eliminate unsound restrictionist devices such as international agricultural commodity agreements, the American selling price system of customs valuation, and the EEC system of variable levies.

Simultaneous, rather than separate, negotiations for trade in industrial and agricultural commodities.

The adoption of domestic farm programs that will be consistent with this nation's long-range foreign policy objectives.

Granting authority to the President to make modest reductions in U.S. tariffs, as proposed in H.R. 14870.

Adjustment assistance as proposed in H.R. 14870 to workers and industries adversely affected by imports.

Establishing a new Commission on Trade and Tariffs with power to act against unfair trade practices relative to U.S. imports.

H.R. 16920 and other import restriction bills now before the Congress.

Mr. BURKE. Does that complete your testimony?

Mr. SHUMAN. This completes the testimony.

Mr. BURKE. Are there any questions?

Mr. BYRNES. Mr. Chairman, I would like to thank Mr. Shuman for his testimony.

Mr. BURKE. Mr. Conable.

Mr. CONABLE. I would like to say it is a statesmanlike statement. I appreciated it, too. If anybody has fear from imports, it is our agricultural producers, particularly in the northeast, where we have had quite a bit of dumping.

Apparently you are not willing to go the route of escalation. Escalation is something we fear in more areas than trade, of course. One of our problems has been, as you point out, there hasn't been a very high degree of statesmanship on the other side.

This committee is going to be walking, I think, quite a tightrope on this particular issue. Escalation is something we don't want to stimulate, regardless of the side on which justice lies.

I am concerned about the future of our agriculture in relation to the European Economic Community, where it appears that the agricultural producers have a good deal more clout, still, politically, than it does in this country, as a result of the closely divided governments there, and the close to 15 percent of the population engaged in food production.

It appears that we are likely to have a continuance of the high inflexible subsidy policies there considerably longer than we are in this country.

This can result in increasing pressure to dump the surpluses generated by subsidized exports to this country. Have you any comment on that, sir?

Mr. SHUMAN. Yes. We are, of course, very much concerned with the variable duties which the EEC has in operation, and also the tendency to use other devices to restrict our ability to sell agricultural products in the European market, particularly.

Actually, we are in a very poor position, though, to negotiate for reduction in these restrictions because, in effect, we have a reverse barrier operating here under our domestic farm programs, where we have payments, direct payments, used in the case of wheat, feed grains and cotton, and these payments are interpreted by the EEC countries and others as a disguise, a rather thin disguise, for export subsidy.

We try to be fairly consistent in urging that the Congress phase out these payments.

In this statement we are urging that authorities be established in this legislation so that we can go to these countries and demand or insist on reciprocal arrangements.

I think there is evidence, considerable evidence, that the high cost of the Government subsidy programs in Europe is getting to be such that they might welcome the opportunity to deal with us on a basis of our reducing our export subsidies, at the same time they reduce the barriers. That is a hope we have.

Mr. CONABLE. You are more optimistic about that than many other observers. Most people seem to think they are pretty well locked into their subsidy and surplus policies.

Mr. SHUMAN. I think they are, under the present circumstance. But if we could say to them we have now adopted a program which is going to eliminate the export subsidy effect of our programs, I believe there would be room for negotiation.

Mr. CONABLE. Thank you very much.

Mr. ULLMAN. Mr. Chairman?

Mr. BURKE. Mr. Ullman.

Mr. ULLMAN. Mr. Shuman, are you saying that any form of supply management with respect to American agriculture constitutes a form of export subsidy?

I don't think we have on the books an export subsidy. Would you define what you mean by that?

Mr. SHUMAN. I would be glad to. Supply management as a principal, of course, is certainly valid, because no business can long survive unless it adjusts supply to the needs of the market. There are all kinds of supply management devices. There are those which result as a result of monopoly situations.

There are those which result as businesses, competitive businesses, are able to adjust their output to the needs of the market.

And then there are Government supply management programs, some, in agriculture. About one-third of U.S. agriculture has some kind of Government supply management.

No, we don't condemn supply management, per se. I think the Government supply management programs have failed in this country and should be replaced, with the farmers given the opportunity to develop their own supply management devices.

What I was emphasizing is that payments, cash payments, in lieu of price are, in effect, a thinly disguised export subsidy.

The farmer is encouraged to produce more than the domestic market and, in fact, payments are contrary to supply management.

I am not trying to condemn supply management.

Mr. ULLMAN. Even when they apply to the domestic share of the market?

Mr. SHUMAN. Yes. Supply management is a technique that is necessary if you are going to exist a long time in a competitive economy. You have to learn how.

Our contention is that we in agriculture are learning how to manage supply in those products where we are not under Government controls, and we better be given the opportunity to learn how to manage supply in all of them.

Mr. ULLMAN. I am a great believer in supply management, too, and I am a great believer in the farmers doing it themselves.

For many years in Congress I tried to work for some kind of national marketing agreement that would give the farmers the opportunity to move into the supply management field. We didn't find your organization in our corner in that effort. We found that the processors are very much opposed to any kind of working agreements among farmers that would limit their production.

They live off of division among farmers, obviously. Farmers are the segment of the economy that have to take what they get in the

marketplace, and everybody is trying to keep them from getting organized.

It gets a little exasperating sometimes expecting the farmers to organize their supply management when everybody is working against them in getting the devices that will enable them to do it.

I don't see in our agricultural program what you see, export subsidies. I have a lot of wheat ranchers in my area. Even with domestic certificates they have their backs to the wall. Without the certificates they would be out of business today.

If we are going to eliminate everything and go to the world market price without any support at all, what you are talking about in my district is putting half of my farmers right out of business.

There is just no alternative. They can't survive on the basis of the world price of wheat. Evidently, you are advocating eliminating the whole domestic certificate program and any other kind of program.

Just any way you add it up it is disastrous to the farm community in my part of the country.

Mr. SHUMAN. I think we have had an excellent demonstration in the last year of the fact that Government programs don't necessarily result in better results for farmers. A little over a year ago the price support on soybeans was reduced. There had been all kinds of efforts made by the Government to induce soybean farmers to hold down their production. But when the price support went down they stopped their rapid expansion. There was a slight increase but very little.

Today, the price of soybeans is higher than it was a year ago, despite the fact that the price support is lower.

As far as the ability of any group of producers in American agriculture to control their supply, I am sure this would vary, and the fact that we have been depending on Government supply management in feed grains and wheat, and cotton, for so many years makes this a difficult transition.

However, 60 percent of U.S. products has not had today and never did have Government supply management, and that production is in far better balance with the market than the 40 percent that is under Government supply management.

As far as wheat is concerned, it appears now that we are going to have one of the largest crops of wheat on record despite the fact that for 3 years in a row Government supply management has been making drastic cuts in the acreage.

Yet, we may have the largest wheat crop out there coming into harvest this year in the history of this country. If not the largest, it will be pretty close. The only thing I am saying is as long as Government is trying to manage supply, the farmer is shut out of the business and he doesn't have the incentive or the opportunity to try to develop his own methods.

We are aggressively organizing marketing associations, marketing efforts in our marketing associations, to try to negotiate for price, to deal with the buyers. That includes negotiations on the amount of the supply.

As long as we have the Commodity Credit Corporation dominating the wheat and feed grain market there is not a chance in the world to organize and negotiate for price and quantities produced.

Yes, it is more difficult with some crops than others, but I think that there is no permanent solution to this agricultural situation until we have been given the opportunity to negotiate on a fair basis with other countries for opening up markets and to do something about organizing our own supply management.

Mr. ULLMAN. This is no forum to pursue it, but I want to say that your program just enunciated doesn't receive and isn't receiving more than 5 percent of support from the wheat ranchers of my district. They know what it was before they had loans. They were subject to the worst kind of market in the fall when they had to sell, then the speculators got all the profits when the price went up in the winter.

If you are advocating the elimination of any loans to tide the farmers over you are talking about putting all of these farmers right out of business.

The situation as you have outlined with respect to the crop this year would be twice as bad if we allowed the farmers to plant fence to fence. This they may very well do if we continue to chisel away at any incentives to restrict their products.

I have just one more question: What is your position on the beef bill that we passed a few years ago, the beef import bill?

Mr. SHUMAN. First, I want to make clear what out position is. I am sorry you have been misinformed, because the Farm Bureau's farm program bill does provide for price supports and loans to implement price supports for wheat and feed grains.

That is on a permanent basis, not temporary, and not to phase them out or anything of the kind. They would be permanent price supports related to the average market price.

This same kind of statement was made a year ago about soybeans, that if we didn't have price supports and a continuation of that program, the soybean farmers would plant fence to fence and you would see a tremendous overproduction and that sort of thing.

It didn't come to pass. I think the same results can happen with wheat and feed grains if we are starting to phase out.

As far at the last part of your question on beef imports, we have taken the position, through the years, that we would be better off with the kind of authority in a Trade Commission or Tariff Commission, the kind of authority that we are recommending here, than to pass legislation which banned beef imports completely or set a specific tonnage quota on the amount of beef that was to be imported.

We did not support the legislation now on the books because we said that this had too many loopholes. I think we are about to the place where it will be demonstrated that it is practically worthless as a device to protect the beef producers.

We are not for opening up and letting any foreign country destroy the opportunity to produce a product in this country without restriction, or authority to control that power.

You can find many commodities where they have favorable conditions, labor and other things, which can be used to destroy the producers in this country.

We do favor protection within limits, but we think this ought to be considered and the authority placed in the Tariff Commission so that they could act without having to wait for the international diplomacy route to take effect.

So we are not happy with the present legislation on beef imports, but we think that the Tariff Commission is a better approach to it.

Mr. ULLMAN. Would you support the effort I am making, and some of the others, to tighten up on the bill so that the trigger device would be a real effective vehicle?

Mr. SHUMAN. No. We are opposed to this approach because we don't think that in a country where 99 percent of the people eat beef and 1 percent produce it that you can depend upon legislation to protect the rights of the beef producers.

We would favor this Tariff Commission as the route to go, with authority there to restrict imports when they came to a level that was about to destroy or threaten to destroy the industry.

Mr. ULLMAN. I am afraid my cattelemen would leave you there, too. They feel, and I think it has been demonstrated, that this has been an extremely effective device. There should be some tightening up on it to make it more effective. They are in full support of that effort. They have gone the Tariff Commission route before, as a lot of other American industries have, and it has been a dead end.

Mr. SHUMAN. Of course, the previous Tariff Commission has never had the kind of authority we are talking about. We are talking about an authority for them to act without waiting for the President to act.

Mr. ULLMAN. A lot of us don't have quite that much faith in the Tariff Commission itself and their procedures. By the very nature of their operation they are not a very effective executive unit and they get bogged down in all kinds of unending complications and redtape. I am afraid I couldn't agree with you.

Thank you, Mr. Chairman.

Mr. BURKE. Mr. Gibbons.

Mr. GIBBONS. Thank you, Mr. Chairman.

Mr. Shuman, your testimony has been very interesting. Like Mr. Ullman, I have cattle raisers in my own district, but I also have people who raise strawberries and oranges. In addition to strawberries and oranges, they raise tomatoes. It is my tomato and strawberry people who complain to me the most about practically unrestricted imports of foreign tomatoes and strawberries primarily from Mexico.

Of course, you know Mexico is not too far away, but they can deliver and drop on the market in Tampa, Fla., or Plant City, Fla., strawberries and tomatoes cheaper than we can produce them 15 miles away.

The people who produce them tell me that the problem is because both of these industries are rather labor intensive and there is a difference in the wage base in Mexico and United States base labor.

Yet, I see U.S. base labor living in rather squalid conditions. They are certainly not overpaid. The farm labor camps in Florida have had a rather disastrous history of bad publicity.

I am wondering if the Farm Bureau has looked at this problem. What is your position as to what we should do about people who produce things like strawberries and tomatoes and have to compete against very low labor prices in Mexico?

Mr. SHUMAN. We have been concerned for a number of years about the fact that some of the actions by our Government have, for all practical purposes, legislated us out of the business of producing certain crops, and these actions have not resulted in benefiting U.S. labor.

Strawberries in California are a good example. When the brazeros were shut out, it not only injured the Mexican workers who were privileged to have opportunities to work in this country at fairly good wages, but it resulted in moving much of the strawberry production to Mexico. Those jobs no longer are in the United States.

Of course, we have problems in the development of satisfactory working conditions, wages, health conditions, educational conditions, for migrant labor.

There is no satisfactory answer to the migrant labor problem except to continue to mechanize to reduce employment of migrant labor.

I don't think the farmers should be condemned because they give jobs to migrant workers. In fact, no other industry that I know of provides housing for their migratory workers, and there are migrant workers in other industries.

We have supported in State legislatures legislation to require minimum standards of housing, education, and all these other things, health care and everything else. We are for those things.

But in answer to the problem as related to tariffs and imports, once we have gone the route of restrictionism, whether it is by labor or something else, it is very difficult to retrace.

It is very difficult to impose further restrictions because there are ways around.

On the tomato situation, about a year ago it was rather difficult because smaller sizes of tomatoes from Mexico were flooding our markets.

This is why we believe that a Tariff Commission with the power to act would be a better answer than at the present time because at the present time, as the Congressman indicated, the Tariff Commission is bound up with tradition, red tape, and delay.

They study everything for months and months before they recommend action. What we want is a new Commission with authority to act, that would have been able to have acted in the situation with the importation of tomatoes a little over a year ago, and strawberries and other commodities. Each one is a separate case and they are all very complicated.

Mr. GIBBONS. I realize they are all very complicated, but do you see any way that the Florida tomato or strawberry industry can really compete with the Mexican strawberry and tomato industry when we are right here on the same continent together and they have a wage base for all of their labor that is substantially lower than the wage base of our people?

Is there any way in the world we can compete?

Mr. SHUMAN. There is only one way and that is to provide for some offsetting device to prevent flooding our markets. As long as we have forces here to force higher and higher wages, then there has to be some device, some protective device. But rather than legislate protection commodity by commodity, we think these protections can be provided through this Tariff Commission with power to act, and at the same time avoid at least some of the retaliatory action that comes when you pass a bill setting a very tight quota or eliminating the importation of a certain commodity.

Mr. GIBBONS. Mr. Shuman, I have watched the tomato and strawberry industry. I don't see how we can lower wages in that industry in the United States at all and not have real chaos and hardship.

Mr. SHUMAN. I am not proposing to lower wages.

I am just recognizing that we have these high wage structures. I am not so much concerned with the level of wages as I am the fact that we are being eliminated from the labor market in many cases.

At the present time, we have a movement in California to force the unionization of farmworkers, with strikes and boycotts, at harvest time.

In my opinion, the Congress of the United States ought to completely outlaw farm strikes at harvest time and boycotts against food products. We are not opposed to unionization, but we are opposed to forced unionization of workers.

That is what is going on out there. This will destroy the grape industry as other similar actions have already partially destroyed the strawberry industry in the United States.

Mr. GIBBONS. Let me assure you that the people in the strawberry industry and tomato industry who work in the fields have not been overpaid.

Mr. SHUMAN. No.

Mr. GIBBONS. If they do, there is a lot of money that slips away from the time they get it and the time they get to spend it. They really have to live in undesirable circumstances, by and large. Or some of them, anyway.

I notice in your statement you apparently endorse the removal of the import quota on petroleum, is that right? I refer to page 4.

Mr. SHUMAN. No, we are not advocating removal of that quota. We have no policy on this issue.

Mr. GIBBONS. Don't you think we could help slow down this spiralling economy if we could save the consumers, say, $5 billion or $6 billion a year that we have to subsidize oil companies with on their very protective arrangement that they have?

You haven't any protection compared to what they have. They get a $5 billion or $6 billion a year shield.

Mr. SHUMAN. I am not familiar with this quota legislation. I assume it has authority for variation in accordance with the needs of the market. I think when you go into this business of trying to decide what quotas should be applied, it is in itself a speciality. This is why we think that there ought to be a new Tariff Commission with greater powers which would attract and justify the appointment of people who have made it a specialty to study these situations so that they can make decisions expeditiously, rather than the present system which is just a passing the buck deal.

Mr. GIBBONS. Thank you, sir.

Mr. BURKE. Thank you. We appreciate your testimony.

Mr. SHUMAN. Thank you, sir.

Mr. BURKE. Our next witness is Mr. Warren S. Richardson, general counsel, Liberty Lobby.

## STATEMENT OF WARREN S. RICHARDSON, GENERAL COUNSEL, LIBERTY LOBBY

Mr. RICHARDSON. Thank you, Mr. Chairman.

I am Warren S. Richardson, general counsel of Liberty Lobby, the largest independent political organization in America. I appear today to present the views of Liberty Lobby's 22,000-member board of policy

and on behalf of 240,000 subscribers to our monthly legislative report, Liberty Letter.

Liberty Lobby sincerely believes that a return to the dynamic principles of the free-market system on which free enterprise is based will cure many of the ills our country suffers today.

If you gentlemen are in touch with your constituents, as we are with our members, you will know that there are many in our Nation of 200 million Americans who are confused, frustrated, depressed, and economically strapped.

We submit, gentlemen, that this is a unique situation in America. It is a sharply opposite view of the typical American in history. Yet, the Government itself is in as serious a dilemma as its citizens. This, too, for the first time in the history of this Nation, for never before have we faced problems of such proportion and gravity.

We submit that the primary differences between our happy, prosperous Nation of the past and this current period of pseudo prosperity is the heavy hand of Government in business.

Therefore, our recommendations of foreign trade policy grows from this background.

There is a direct relationship between foreign trade and tariff policy and the amount of gold reserves we maintain. Also affecting the gold reserves is the Government's policy on foreign aid.

These three, trade and tariff policy, gold reserves, and foreign aid policy, are inextricably bound together. It is Liberty Lobby's position that our gold position should be strong.

On foreign aid, Liberty Lobby has long been a critic on the grounds that foreign aid produces a strain on our gold supply and accomplishes nothing unless we count the bitterness which accrues from trying to buy friends.

Thus, our proposal takes into account these factors.

Liberty Lobby is four square behind the tariff system limiting the import of goods and services produced by foreign countries with lower wage scales and poorer standards of quality.

We are just as staunchly opposed to any effort to create a free world market. This world market cannot be free because the elimination of tariffs or reduction of tariffs cannot have any other effect than it has already had.

We have merely exported our jobs to foreign countries. Today, we buy foreign automobiles because we can buy them for less. And our car manufacturers build cars overseas, where the labor costs are lower, in an effort to compete with our imported cars.

And the result? It can be seen plainly. We have made Japan and Germany rich—richer than ever before in history. So rich that the Japanese have tremendous surpluses, and, of course, without the costs of national defense.

Yet, the Germans in West Germany, too, have profited from our American dollars—profited to the point that, without manipulation, the German currency could possibly replace the American dollar as the standard of the world.

Few countries are burdened with the $18 billion each year we must pay for interest on our debt alone.

We recommend that the tariff policy of the United States of America be high enough to equalize in a general and not a specific sense the price paid here for foreign imports.

We believe that not only should this be our Government's policy, but we also believe that the tariffs should be high enough to give our American industry a slight advantage in our own markets.

If the foreign manufacturers are ingenious enough to sell in American markets at a higher price than less desirable domestic goods, they should have full right to whatever competive advantage they may have devised or invented. Likewise, our American inventive ability should sell well in foreign lands, regardless of any reciprocal tariffs which may be enacted by foreign governments to bar our goods into their markets.

Furthermore, we believe that such a tariff system should be simple. Such simplicity would eliminate much of the political footballing which has gone on in the past over our tariff systems.

We see no reason why—although we do not pretend to have the staff experts to design a system—such an overall tariff could not be made adjustable automatically. Not at the whim or decision of some bureaucrat or agency, but completely automatic escalation or decline in tariffs, based upon unemployment figures, for example.

These changes could operate just like many current wage scales are automatically adjusted up or down by a change in the cost of living index.

Because of the interrelationship of trade policy with our gold supply and our foreign policy, perhaps a workable formula for automatic adjustment of tariff rates can be geared to changes in the gold supply.

Obviously, we are not naive. We are not foolish enough to believe that there are no depressed industries which need tariff protection now.

The best solution we see to this problem is this: If, in the wisdom of the committee, a tariff should be and must be provided to an individual industry before such an overall tariff plan is structured, then specialized legislation to alleviate these individual problem areas should be enacted on a temporary basis only.

All tariffs in existence at the time of the enactment of the new overall tariffs should be eliminated at the time of the enactment.

Our proposal would, of course, provide immediate relief where needed. Both the immediate relief and our long-range proposal would tend to eliminate the exportation of jobs to foreign countries, thus keeping unemployment low.

Our gold reserves would begin to climb, provided the foreign aid policy is coordinated with the trade policy, and gradually we could, through expanded production in the private sector and less spending in the Government sector, reduce our national debt.

Finally, if a bill embracing the overall approach is truly comprehensive, Congress can, once again, regulate "the national economy through its jurisdiction over foreign commerce by adjusting tariffs and import fees, and other factors."

(Mr. Richardson's prepared statement follows:)

PREPARED STATEMENT OF WARREN S. RICHARDSON, GENERAL COUNSEL, LIBERTY LOBBY

SUMMARY

1. Free Enterprise and Free Markets—basis for Liberty Lobby proposal
2. Foreign Aid and the Gold Supply—interrelationship with trade and tariff policy

3. Liberty Lobby's proposal—a tariff system limiting the import of goods and services produced by foreign countries with lower wage scales; the system containing an automatic adjustment factor based on the unemployment rate, the U.S. gold supply, or some other index picked by the Congress.

4. Benefits of the Proposal—in addition to immediate relief of specific industries on a short-term basis, our proposal would tend to eliminate the exportation of jobs, help increase our gold reserves, help reduce the national debt, return regulation of tariffs and import fees to the U.S. Congress

5. An example—the silkworm-nylon story of American free enterprise in action

6. Corollaries—patent and copyright treaties should be more effective and there should be a return to old-fashioned salesmanship

Mr. Chairman and Members of the Committee: I am Warren S. Richardson, general counsel of Liberty Lobby, the largest independent political organization in America. I appear today to present the views of Liberty Lobby's 23,000-member board of policy, and on behalf of the 240,000 subscribers to our monthly legislative report, *Liberty Letter*. They constitute the largest group of voters represented by any lobbyist at this hearing, doubtless, representing no ethnic group, but all of them; representing no industry or business or labor group, but all of them as they are individually members of the people's lobby; representing no pressure group, only these concerned Americans—perhaps numbering in the millions, for our publication, like all others, has many readers per copy. Thus, we might hope to represent the so-called silent majority who, we feel, would be just as vocal and obvious in these halls as the young people, except that this great majority of taxpaying patriotic Americans must stay at home, working diligently to provide the money the kids are spending here and to provide the taxes to keep our government and Congress operating.

With the committee's permission, we should like to make several basis statements which represent the mandate of our Liberty Lobby board of policy by actual vote taken by mail.

## FREE ENTERPRISE AND FREE MARKETS

Liberty Lobby sincerely believes that a return to the dynamic principles of the free market system on which free enterprise is based will cure many of the ills our country suffers today. If you gentlemen are in as close touch with your constituents as we are with our members, you will know that our nation is made up of some 200 million Americans, many of whom are confused, frustrated, depressed, and economically strapped.

We submit, gentlemen, that this is a unique situation in America. It is a sharply opposite view of the typical American in history. Yet the government itself is in as serious a dilemma as its citizens. This, too, for the first time in the history of this nation, for never before have we faced problems of such proportion and gravity.

We submit that the primary difference between our happy, prosperous nation of the past and this current period of pseudo prosperity (characterized by a rapid decrease in the purchasing power of the dollar: 1961, 96¢; 1968, 83¢) is the heavy hand of government in business.

Therefore, our recommendations of foreign trade policy grow from this concept—free trade within America, first; not for any one business, but all American business.

Lest someone here attempt to depreciate our testimony with the tiresomely repeated slurs, calling them greedy, or selfish, or imperialistic, or worse, let us all recognize the fact that no system has yet been devised which has brought the prosperity, the luxuries and necessities, the happiness and the individual well-being of the peoples of the world as our unique and dynamic free economic system. The profit motive, individual incentive, and "that which is best for each of us individually is best for all," are still the best way yet found to help this planet. No system has ever improved the lot of the peoples of this planet so quickly as the spread of the American system.

## FOREIGN AID AND THE GOLD SUPPLY

There is a direct relationship between foreign trade and tariff policy and the amount of gold reserves we maintain. Also affecting the gold reserves is the government's policy on foreign aid. These three—trade and tariff policy, gold reserves, and foreign aid policy—are inextricably bound together. It is Liberty

Lobby's position that our gold position should be strong. On foreign aid. Liberty Lobby has long been a critic on the grounds that foreign aid produces a strain on our gold supply and accomplishes nothing, unless we count the bitterness which accruse from trying to buy friends. Thus our proposal takes into account these factors.

A PROPOSAL

Liberty Lobby is foursquare behind the tariff system limiting the import of goods and services produced by foreign countries with lower wage scales and poorer standards of quality. We are just as staunchly opposed to any effort to create a free world market. The world market cannot be free because the elimination of tariffs or reduction of tariffs cannot have any other effect than it has already had. We have merely exported our jobs to foreign countries. Today we buy foreign automobiles because we can buy them for less. And our car manufacturers build cars overseas, where the labor costs are lower, in order to compete with our imported cars. And the result? It can be seen plainly. We have made Japan and Germany rich—richer than ever before in history. So rich that the Japanese have tremendous surpluses, and of course without the costs of national defense. Yet the Germans in West Germany, too, have profited from our American dollars—profited to the point that, without manipulation, the German currency could possibly replace the American dollar as the standard of the world. Few countries are burdened with the $18 billions each year we must pay for interest on our debt alone.

We recommend that the tariff policy of the United States of America be high enough to equalize, in a general and not a specific sense, the price paid here for foreign imports. We believe that not only should this be our government's policy, but we also believe that the tariffs should be high enough to give our American industry a slight advantage in our own markets.

If the foreign manfacturers are ingenious enough to produce better products, good enough to sell in American markets at a higher price than less desirable domestic goods, they should have full right to whatever competitive advantage they may have devised or invented. Likewise, our American inventive ability should sell well in foreign lands, regardless of any reciprocal tariffs which may be enacted by foreign governments to bar our goods into their markets.

Furthermore, we believe that such a tariff system should be simple. This simplicity would eliminate much of the political footballing which has gone on in the past over our tariff systems. There is no need for complicated systems requiring an ever-pyramiding and burdensome bureaucracy.

We see no reason why, although we do not pretend to have the staff experts to design a system, such an overall tariff could not be made adjustable, automatically. Not at the whim or decision of some bureaucrat or agency, but completely automatic escalation or decline in tariffs, based upon unemployment figures, for example. These changes could operate just like many current wage scales are automatically adjusted up or down by a change in the cost of living index. Because of the interrelationship of trade policy with our gold supply and our foreign policy, perhaps a workable formula for automatic adjustment of tariff rates can be geared to changes in the gold supply.

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The best solution we see to this problem is this. If, in the wisdom of the committee, a tariff should be and must be provided to an individual industry before such an overall tariff plan is structured, then specialized legislation to alleviate these individual problem areas should be enacted on a temporary basis only. All tariffs in existence at the time of the enactment of the new overall tariffs should be eliminated at the time of the enactment.

BENEFITS

Our proposal would, of course, provide immediate relief where needed. Both the immediate relief and our long-range proposal would tend to eliminate the exportation of jobs to foreign countries, thus keeping unemployment low. Our gold reserves would begin to climb (provided the foreign aid policy is coordinated with the trade policy) and gradually we could, through expanded production in the private sector and less spending in the government sector, reduce our national debt. Finally, if a bill embracing the overall approach is truly comprehensive, Congress can, once again, regulate "the national economy through its jurisdiction over foreign commerce by adjusting tariffs and import fees, and other factors."

EXAMPLE

We would like to add a graphic illustration of both the dynamic, free-enterprise advantages of our recommendations and the most pragmatic realism that our proposal represents.

As most of you gentlemen know, the balance of trade between the United States and Japan before World War II was a constant problem. This was not true generally because the U.S. balance of trade with the world was heavily in our favor, whereas today the balance is so small that it is quite easily turned into a negative balance, as it has in most of the recent years.

In the case of Japan, however, the silkworm had us trapped. Although we are not sure why the experiments failed, we know that the silkworm would not produce silk in the United States. The distress of the women of America and those concerned with gold outflow, trade balances, and even world politics, was enormous.

Even before World War II and Pearl Harbor cut off our supply of silk from Japan, our American innovative abilities had defeated the silkworm, for our industrial scientists, driven on by the profit incentive and the individual initiative of private enterprise. The invention was, of course, nylon.

To understand the dynamics of the free enterprise system, let's take a look at the endless, limitless advantages which this single invention created:

1. Of course the women of America have been pleased. Nylon hosiery is lower in cost than the old silk stockings in spite of current inflation. It is much more durable. It is much more flexible than silk and has moved from hose and dresses to men's clothing, to industrial and household hardware, to parachutes and sails and so many fields and products that it would be impossible to include all of them. Nevertheless, the woman is happier since nylon is not so fragile as silk, and the husbands and fathers shared this benefit, economically.

2. While we do not think of it, nylon created millions of dollars in taxes which did not exist before when silk was imported. Again, the statistical evidence is so limitless that it taxes the imagination to analyze its primary and sequential pervasion and accumulation of new tax moneys. Obvious sources were from new plants for the production of nylon and nylon products; from salaries and wages paid to workers and management; from the taxes on the products themselves; and of course the consequential taxes of millions of dollars and millions of subsequent, chainreaction types of industries and business created.

3. Next, let's not overlook the dynamics of billions in capital investments in plants and tools and the resulting stimulation to the industries producing these.

4. Nor must we forget the thousands who are now and have been employed in the nylon idustries for whom there were no jobs when we imported silk and exported jobs.

5. We must recognize the dynamics of the stimulation to our gross national product, and to our economy in an expansive, stable growth based on true production.

6. But most important, for the purposes of this discussion, we must recognize the most significant avantage—the dynamic change created in our balance of trade with Japan and resulting gold outflow.

You see, it was not necessary for the govenment to study, experiment with, or risk failure. Historically, in America, free enterprise and the competitive system has been almost entirely self-correcting whereas man is not so atuned to the natural balances integral to our cosmic systems, providentially supplied to us.

COROLLARIES

There are two corollaries to our proposals which are necessary to make our plan as effective as it should and must be.

First, we believe that the patent and copyright treaties, compacts, and agreements throughout the world must be made effective. There has been too much costly pirating of drug patents and other important property rights to inventions created by Americans. This stealing of formulae and patented methods is not only depressive to invention and research within individual companies and industries, but its cost to Americans has been fantastic. We have financed the cost of discovery to the rest of the world, which, temporarily, may be quite generous philanthropy, but in the long run costly to the rest of the world if we cannot afford to continue this development of new products through inability to pay for previous research by the advantage gained.

Second, we believe that the old-time principles of salesmanship must be given new status—not only in our domestic markets for its obvious compensations, but especially in our export markets. An element of free enterprise without which America would have failed, with all of its ingenuity and resources, was, is, and must be aggressive, renewed sales ability. Otherwise, laws and tariffs are self-defeating.

Just as we, in this proposal, have attempted to give you a refreshing respite from the repetitive, worn-out, stereotyped world trade plans which have failed, we charge you, gentlemen, to be as original in your work designing the legislation to implement these suggestions, if you find them acceptable. We challenge you to change—but not to change just for change alone—instead, we challenge you to take charge of change. To create. To innovate. To produce dynamic legislation which will encourage our domestic industry instead of restrict and hamstring it. We submit that it is not only the simplest way to govern, but the easiest—yet the way with the most lasting and most beneficial results. Imaginative legislation has a leverage beyond the imagination of all of us. In the right direction, you need not worry about results. You can predict results from your history books. And that's not bad. On or National Archives building, gentleman, just a short distance from here, there is a saying cut into stone which can give you the inspiration and the proof:

"What is Past is Prologue."

There's a message, gentlemen, in those five short, simple words. You, this committee, can, if you choose to do so, make things happen!

Thank you very much for the opportunity to appear today and present our views.

Mr. BURKE. Are there any questions?

If not, thank you very much.

Mr. RICHARDSON. Thank you very much.

Mr. BURKE. Our next witnesses are Mr. Lyman R. Lyon and Mr. Carlos Toro.

## STATEMENT OF LYMAN R. LYON, CHAIRMAN-DESIGNATE, WORLD AFFAIRS COMMITTEE, GREATER DETROIT CHAMBER OF COMMERCE; AND CARLOS TORO, VICE CHAIRMAN-DESIGNATE

Mr. LYON. Mr. Chairman, my name is Lyman R. Lyon, a partner in the law firm of Harness, Dickey & Pierce, Detroit, Mich. I am appearing here today as a witness for the Greater Detroit Chamber of Commerce. I am chairman-designate of that organization's World Affairs Committee. I am accompanied by another member of the World Affairs Committee and the vice chairman designate, Mr. Carlos Toro, assistant vice president, Detroit Bank and Trust Co.

The Greater Detroit Chamber of Commerce is a broadly based business organization representing all phases of business and industry in the metropolitan Detroit area and has a membership of about 6,300.

The phrase "all phases" should be emphasized.

This statement represents the views of the chamber of commerce on certain matters now before your committee. These views are based on a carefully researched basic policy statement originally established in 1952. This statement of policy on U.S. international economic policy was last revised in 1968 and was approved by the chamber's board of directors at its meeting on June 4, 1968.

It should be pointed out that the policy statement approved by the board of directors has an adverse effect in its implementation on some of the members of the Detroit Chamber of Commerce. Yet, the chamber of commerce sees fit to rise above the immediate impact on certain members to take a policy position which we hope will lend a measure

of guidance to this body in serving the total needs of the United States trade policy.

SUMMARY OF RECOMMENDATIONS

The chamber supports the proposed Trade Act of 1969 (H.R. 14870) as being urgently necessary to carry forward certain enlightened trade policies which have stood the test of years. Specifically,

—This policy provides the necessary tariff flexibility to compensate our trading partners in those cases in which tariff relief has become necessary;

—It provides funds for the U.S. contribution to the budget of the General Agreement on Tariffs and Trade;

—It strengthens the authority for action to prevent or reduce the use of unfair trade practices by our trading partners;

—It eliminates American selling price as a basis for duty valuation and thus removes one of the highly objectionable tariff devices from U.S. law and;

—It would ease the requirements for adjustment assistance and would provide for easier escape clause relief.

The chamber opposes all bills which would establish quotas on any products entering the United States.

The chamber favors a device such as the Domestic International Sales Corp. to provide tax incentives, not in violation of GATT for expansion of U.S. exports.

The chamber supports moves such as H.R. 13713 which would provide for the continuation and liberalization of duty drawback especially by making possible the refund of certain local, State, and Federal taxes on imported articles being reexported from the United States.

And lastly, the chamber supports the continuation of Tariff Act Section 807 relating to the tariff treatment of articles of U.S. origin assembled abroad.

BACKGROUND

In making this statement before the House Ways and Means Committee, on behalf of the Greater Detroit Chamber of Commerce, we are well aware of the fact that the U.S. position in the world economy has changed radically since the early postwar period.

Our balance of payments has run a sizable deficit for many years; much of the rest of the industrial world has not only recovered from the ravages of war but has gained immensely since prewar days; American exports are less competitive in the international marketplace than they used to be and face rapidly increasing competition in third markets; our inflationary pressures here at home are continuing to produce price increases which cannot help but add to competitive pressures abroad; the very substantial export surpluses which have historically helped our balance of payments have been reduced to the vanishing point, and if net commercial exports are taken into consideration, we are probably today running a negative balance of trade.

Furthermore, until recently, the boom in the U.S. economy has caused increased imports into the United States, creating some dis-

comfort and concern to certain domestic industries. In the international marketplace, which has broadly benefited by tariff reductions culminating in the Kennedy round of tariff negotiations under the Trade Expansion Act of 1962, the continued existence of so-called nontariff barriers has called attention to the serious effect of these barriers to the freer interchange of goods.

It should not be forgotten, however, that the very prominent attention that nontariff barriers are attracting today are the very result of the broad reduction in tariffs that has been actually achieved. In the presence of high tariff rates, nontariff trade barriers seemed less significant and their trade-stifling effect has only become obvious when tariff barriers on many commodities traded in the industrial world have become relatively insignificant.

As businessmen concerned with international trade, many members of the Greater Detroit Chamber of Commerce are rightfully concerned about the future of U.S. foreign trade policy. It is in the vein that we testify today in favor of measures which would either maintain the status quo on U.S. commercial policy, or which would contribute to a further mild easing of trade barriers at home; they would also put at the disposal of the executive more effective weapons than heretofore to fight existing trade barriers abroad or to prevent their escalation. Furthermore, our support will be in favor of such measures which will permit the American foreign trader to compete more effectively abroad and to add to exports from the United States.

*U.S. contributions to GATT*

We believe it is long overdue that U.S. participation in the administrative organ for the General Agreement of Tariffs and Trade be regularized. The GATT has become an effective instrument in reminding its members of its commercial policy obligations. It is worth supporting properly.

*Foreign import restrictions and discrimination*

The chamber welcomes the administration's proposal for the provision broadening the authority to impose duties or other import restrictions on products of countries which impose or maintain unjustifiable import restrictions against U.S. goods. We especially endorse authority to act against subsidies or incentives injurious to U.S. exports to third markets. Unfortunately, the earlier provision in U.S. legislation relating to agricultural products alone has not been used and it is hoped that passage of this legislation would lead the administration to pursue its purposes more actively. Our dwindling export surplus deserves such assistance.

*American selling price*

The chamber welcomes the administration's request to eliminate American selling price as the basis for assessment of duties. Not only is there no logical reason why one industry or segment of industry should be singled out for such treatment for the assessment of duty but, logically or not, many of our trading partners regard the existence of this anachronism as a particularly offensive protective U.S. tariff device.

The chamber fully supports removal of ASP and the conversion of the current effective duty rates on the normal assessment basis, particularly since the implementation of certain Kennedy round

reductions of duties and certain other import restrictions hinges on the removal of ASP.

U.S. adherence to the Kennedy round commitments is overdue.

We should perhaps at this juncture add that in the view of the Greater Detroit Chamber of Commerce there are many other U.S. policies relating to the international exchange of goods and services which are harmful to the broad interest of American business in the world economy. Prominent among these are the inhibitions imposed on the American foreign investor through U.S. tax policy at home and through existing restrictions on business investments abroad.

Since, however, the subjects before the committee relate exclusively to trade and tariff matters, the remainder of this statement will deal with these only.

Despite the change in the international economic climate, especially in international trade, it would be shortsighted for the United States to reverse its long-standing policy in favor of freer trade.

While we cannot anticipate any further substantive international negotiations on reducing tariffs, we may hope that the General Agreement on Tariffs and Trade will pursue its studies on existing nontariff barriers; we hope that these studies may lead to meaningful negotiations for their mutual reduction.

If the United States were today to reverse the course of trade liberalization, there is little doubt that many of our trading partners, some among them showing distinct signs of economic nationalism, would use this as a most welome excuse to add to their still existing trade barriers.

The difficult struggle of American exports will be aggravated and the efforts by the U.S. Government to achieve a greater export surplus would be frustrated. We do not believe that the United States can afford to permit the world to lapse into a trade war.

In the other hand, the administration's trade bill puts in the hands of the Chief Executive a broader and more effective weapon for the reduction of undue obstacles to American exports, be they subsidies on exports to third markets, or artificial barriers to the exchange merchandise generally. We hope that such a weapon, were it to be enacted, could be usefully employed in removing such impediments to American exports.

## THE 1969 TRADE BILL (H.R. 14870)

The chamber believes it desirable that the Executive be granted authority, absent since the expiration of the 1962 Trade Expansion Act, for minor tariff reductions, in order to take care of those cases in which it is deemed necessary to grant tariff relief to domestic industries. In the absence of such authority, tariff relief could only be compensated for by the affected trading partners increasing tariffs on certain articles on a roughly compensatory basis. This limited authority would, therefore, be useful in maintaining existing tariff levels both here and abroad.

### *Easing of adjustment assistance and escape clause relief*

The chamber supports easing the requirements for American industry and labor to receive the various types of adjustment assistance

as provided for in the 1962 Trade Expansion Act, or to obtain escape clause relief.

While we endorse the principles incorporated in the administration's trade bill, we propose certain amendments suggested, or to be suggested, to this committee by the American Importers Association. These amendments would slightly alter the criteria for adjustment assistance by requiring that an increase in imports must have occurred in the recent past and that such increase must be significant.

Furthermore, the American Importers Association amendment requires that the domestic industry should include all domestic establishments producing articles competing with the respective import. This would prevent small and artificial units or segments of industry from obtaining adjustment assistance; this might be injurious to trade and not justified on an industry basis. Additionally, this amendment would require that threat of serious injury must be imminent.

The remainder of this statement will address itself to the several subjects mentioned in the summary on which specific views of the chamber should be expressed.

*Quotas*

The chamber strongly opposes legislation requiring or permitting the imposition of quotas on imports of merchandise.

The chamber is well aware of the very large number of bills that have been introduced in the recent past that would impose quota limitations on the imports of many types of merchandise.

We firmly believe that quotas are a form of protectionism much more vicious than tariff barriers. Tariffs permit the response to domestic demand through the price regulator, whereas quotas impose absolute limits on the importation of goods. Quotas violate the commercial policy provisions of GATT and they introduce a high degree of inflexibility in domestic and international commerce.

In principle, we believe that our commercial policy ought to be based on a clear recognition that increases in duty rates, whether temporary or permanent, and subject to compensatory reductions of U.S. duties on goods of roughly equivalent value, is much preferable to the imposition of quotas.

Part of the administration's trade bill, by continuing the policy of limited tariff reduction authority for the purpose, recognizes this fact.

Only by following this principle can the United States engage in successful negotiations for the reciprocal reduction of nontariff barriers.

During this period of continuing inflation in the United States, it would be of special significance if the inflation-controlling effect of imports were seriously diluted by limiting imports through quotas. Less merchandise at higher prices would feel the flames of inflation.

*Export incentives*

The chamber supports vigorous efforts on behalf of the U.S. Government to encourage commercial exports by American business. We commend the new and broader policies of the Ex-Im Bank in the field of export financing, and of the FCIA in the field of credit insurance for insuring foreign receivables against political risks.

We also are keenly aware of the broad programs in this field on the part of the Department of Commerce.

However, most of these efforts are very slow in taking effect. Through personal experience with many members of the chamber and in other parts of the business community in Michigan, we are also most conscious of the fact that more effective means must be found to make exports more attractive to the American manufacturer.

One of these useful devices, recently proposed by the administration, would provide certain tax incentives for exporters.

The so-called DISC—Domestic International Sales Corp.—would be such a device and its creation is highly recommended. Whatever other efforts are being made to increase U.S. exports, there is obviously no more effective way of promoting vigorous export activities than through the profit motive. DISC, or something like it, should accomplish this in helping our trade surplus.

*Duty drawback*

Another device which tends to make American exports more competitive in international markets and, if more extensively used, could make a greater gain for our exporters, would be the extension of the duty drawback device.

The chamber recommends proposed legislation such as H.R. 13713 which would broaden current duty drawback privileges by providing for the refund of certain local, State, and Federal taxes on imported articles reexported from the United States.

We believe that efforts, reported in 1969 for eliminating duty drawback entirely, would ill serve the business community. We feel strongly that duty drawback should not only be broadened, but also brought to the attention of a wider range of business and industry to enhance the export position of American business.

*Tariff treatment of U.S. articles assembled abroad*

In recent years, increasing use has been made of those sections of the Tariff Act which permit the assembly of U.S.-produced articles abroad under a tariff treatment which would permit its reimportation into the United States with a tariff rate essentially based on value added abroad. H.R. 14188 would eliminate this part of the tariff schedule and would in fact diminish employment opportunities at home. It would result in either lower production of those parts assembled abroad or would lead to further importation of all foreign-made products.

A considerable volume of business has developed, in one instance known to us, by the conversion of foreign productive facilities to the production of articles with U.S. components to serve both the United States and the foreign market. In this example, less than one-quarter of the components of U.S. manufacture reenter U.S. markets; the remainder, with U.S. components, enters foreign markets and those contribute to U.S. exports. Repeal of such tariff treatment would cause a job loss at home and would probably lead to a heavier volume of imports.

By way of closing, I would like to point out that the very holding of these hearings is the very mechanism by which we achieve our legislative ends; it should lead us to continue the leadership in reduction of restrictions to trade throughout the world.

Our trading partners overseas are far faster on their feet and can respond much faster to a negative influence in the U.S. policies than we can to theirs.

Any move that we make of a regressive nature in the area of foreign trade will be countered rather swiftly by our foreign trading partners.

They look to the United States for direction in this field. We have the ball rolling in what we believe is the proper direction.

I think the experience of recent years has indicated that it is producing results. To turn the clock back will, in the opinion of the Detroit Chamber of Commerce, result in a long-range detriment to the United States.

Mr. BURKE. Thank you.

Are there any questions?

Mr. CONABLE. Thank you, Mr. Chairman.

Mr. Lyon, I should think in the Greater Detroit area the automobile industry would cast a long shadow across your membership, even though you say you are a broadly based business organization, and I am sure you do include almost every conceivable type of industry.

Certainly the dominant economic interest there in the Detroit area is the automobile business.

Do you think this has given any particular bias to your statement here, or do you feel that your position would be a typical one espoused by chambers of commerce generally?

Mr. LYON. I would say that the presence of a number of automotive suppliers in the Detroit area should lend weight to the position taken by the chamber.

I think it is quite apparent that Japanese automotive exports to the United States are on a very rapid rise.

It is also apparent that we haven't been able to move our cars into Japan.

Yet, I think you will find that General Motors, Chrysler, Ford, and American Motors support the policy that we have stated today. It would be very easy for these industries to go on record supporting a quota, for example, on the importation of automobiles.

The experience of the automotive industry is such that we should turn to philosophy. A good example is the Canadian-United States Automotive Products Agreement. This agreement was greeted with a good deal of apprehension by both industry and unions in the automotive industry.

A few years experience have demonstrated that while perhaps Canada has benefited more than the United States, it has worked to the mutual advantage of both countries.

I think at the present time you will find both automotive management and union leadership who are responsible for the jobs in the automotive industry standing squarely behind this agreement.

Mr. CONABLE. In short, sir, you would feel that you have not expressed an area of self-interest except in the larger and longer term sense.

Mr. LYON. That is correct.

Mr. TORO. Could I add here that, obviously, the automotive industry and its suppliers are represented in the chamber, but there is a very broad area of business, both much smaller and much more diversified, that is in the membership and is represented on the two committee that are essentially responsible for the formation of the basic policy of the chamber.

There is a remarkably high degree of support for this policy. It is not unanimous, but there are many other industries, including many small industries today, that are taking a very broad and interested look at exports and at world business, and are finding it hard, tough, but worthwhile.

For that reason, they support this policy.

Mr. CONABLE. Thank you very much, Mr. Chairman.

Mr. GIBBONS. Mr. Chairman, I appreciate the witness' very profound statement.

I take it from your statement that you think that quotas are not only unfair to the American consumers but also to American business, is that correct?

Mr. LYON. That is correct.

Mr. CONABLE. And your chamber would favor the abolishment of all quotas on imports of products we consume?

Mr. TORO. I would say in principle, probably yes. There are some very tough problems involving national defense, involving very important activities relating to our natural resources, that would require special study.

I personally believe, and I am not talking for the chamber—the chamber does not have a direct policy on it—that the removal of the quota system on petroleum and the substitution therefor by a tariff, would probably be beneficial to the American consumer without being seriously detrimental to our own natural resource industry.

Mr. GIBBONS. I think that that is very true. I hope, and I know this committee plans to study an oil import quota because there seems to be little doubt that the petroleum industry has the biggest protection of any industry in America. It costs the American consumer some $5–$7 billion a year in increased prices. I hope that when we get to that we could really have a detailed discussion of the need for it, as well as the wisdom of it, from an economic point of view.

I know how it discriminates against some areas of the United States, particularly Mr. Burke's area, where they had to pay such a high price for heating oil for the wintertime and how it discriminates against my own area because we have to pay such a high price for energy fuels to help our industry.

Mr. TORO. I might add at this point here that the recent control of imports on oil products from Canada, being so close to the border, is felt quite severely. It is not making friends.

Mr. GIBBONS. That is the most ridiculous one I have heard of really.

Mr. TORO. If quotas are a result of a national defense argument, it certainly should not include Canada in that.

Mr. GIBBONS. I would hope it wouldn't, anyway. I hope they are not planning to attack us or anything like that.

Mr. TORO. I don't think it is likely.

Mr. GIBBONS. Thank you very much.

Mr. BURKE. Do you feel the current discriminatory taxes on U.S.-size cars in France, Italy, and other European countries is legal under the GATT agreements?

Mr. TORO. I would have to study that. I would certainly agree there are all types of discrimination, whether on motor size, engine weight, body weight and so forth that make it extremely difficult to compete in those markets.

But I think this lies more closely in the area of nontariff barriers rather than in the commercial policy section of the GATT. This is my belief.

Mr. BURKE. I was wondering if we could get for the record the letter from the chamber stating their feelings on this question, particularly where you come from, Michigan, up in the automobile area. I would also like to get a statement from the chamber on whether they approve of the quota system in Japan on the importation over there of automobile parts.

Mr. TORO. Mr. Chairman, I don't think this requires a letter. I can say without a doubt that the chamber, in line with the existing policy, recognizes fully that there is a great deal of restriction against American imports of merchandise as well as capital and know-how. Japan is certainly an important offender in this area. So, there is no question about it.

Mr. BURKE. Why is it that we have not been able to at least correct some of these problems a little bit? I am asking these questions because of your strong endorsement of further lowering of tariffs and pointing out the illegal activities going on in Europe as far as the automobile industry is concerned and also about the fact that there is a complete bar on imports of automobile parts in Japan.

I would think that that should be a concern. If it isn't a concern on the part of the chamber of commerce, it might be a concern on the part of the workers in Michigan; particularly in Detroit.

Mr. TORO. It is indeed.

Mr. LYON. I could respond to that question in this manner: I recently attended a meeting with the equivalent of our Secretary of Commerce from Japan. This very question was posed to him: "Why is your country continuing to effectively bar the American auto from your roads, whereas we open our doors to the importation of Japanese autos?"

And the reply was that Japanese policy has a certain inertia in this area, but he stated unequivocably, that the makers of Japanese policy at the government level fully recognize that this situation had to be corrected and Japan in fact was taking steps to correct it.

He explained it as being a slow process because they now have to indoctrinate the lower echelons of government as well as the business community in the facts of life: That they are going to have to face competition from countries outside Japan.

I think that because the automotive industry recognizes an attempt by the Japanese to correct this situation, that we can see it coming, that we have the assurance that it is going to take place, that our automotive industry is willing to go out on a limb to oppose quotas being placed on the importation of automobiles from Japan.

It would be very easy and a very comforting and a very popular move on the part of automotive management to stand up and say, "Let's stop them at the borders." I am certain a good number of people in Detroit would be very pleased with that position.

But we don't see it in the long range best interests of U.S. trade policy. So, we are willing to live with this thing because we can see the light at the end of the tunnel.

Mr. BURKE. How is the unemployment situation in the automobile industry in Michigan right now? Are they working full time? Have there been layoffs there or is there a cutting down on the sales?

Mr. LYON. There definitely is a sales falloff. There have been cutbacks in production. All three of the major producers have laid off or closed for a week or so at one or more points in the spring. However, there is no general unemployment that I am aware of. And, of course, the entire domestic economic picture, insofar as autos are concerned, is below prediction for calendar 1970.

We feel that once the union contract is settled in the fall, once the apprehension is dissipated, the automotive industry will be back on projection.

In answer to your question, I am not aware of a critical unemployment situation in the Detroit area.

Mr. BURKE. The reports we are reading in the papers, and particularly about the dropoff of sales and inflation and unemployment around the country, one of the areas that seems to be getting hit is the automobile industry. I am happy to see that you are confident in your outlook on the future of the automobile industry and also the fact that you can sit there so placidly and be assured by the friends of the Japanese that they might do something about this, but it is going to take a little while.

I was wondering if they had predicted how long it might take. Would it take 5, 10 years, 15 or 20 years, or how long?

Mr. TORO. The recent news is that the issuance of permits to tie into agreements for the manufacture and know-how agreements in Japan would be speeded up—it was anticipated, I believe, that it would be opened up in 1971. It looks now as though it will be considerably earlier.

Mr. BURKE. Do you think there is a possibility that the Japanese Government might grant import permits to producers of auto parts before this bill is acted upon, before it reaches the President's desk?

Mr. TORO. No, sir.

Mr. LYON. I don't think it would happen in that manner. I do believe, however, that the activity of this committee is going to very closely watched. I am sure that the Japanese are watching every move and I am sure also that an affirmation of our long-range goal will have an impact on what the Japanese Government does with respect to the removal of restrictions.

Mr. BURKE. What concerns me about this whole trade picture—I supported the trade bill back in 1962—is that we seem to be going along one line and negotiatiors can't seem to get anything, however, they seem to be able to give everything away.

I think the easiest thing you can do is give something away, the elimination of the American selling price, reduction of tariffs, and yet, we have not seen any real evidence on the part of our trading partners that they are giving anything away and they are holding firm.

I am a little bit apprehensive about what is going to happen. I hear the reports in the Congress, and we have over 250 Members in the U.S. House that have shoe factories in their district. When you put the shoe factories and the textile people together they number around 370, enough to override a veto.

I would hope people like yourself that come in here and have such a warm outlook on these things will get the message across to somebody, because one of these days, I think the roof is going to fall in and you might find you have barriers over here that you never dreamed of.

I think that that is the fault in all of this nice public relations that are going out all over the country about one wonderful free-trade policy. When you have a drop of almost $1 billion a year in the imbalance in trade, it looks like it might continue on and get worse, and if this bill is passed, if the administration's bill is passed, you might have a drop in imbalance of $2 billion a year, then unemployment and everything, you are liable to find Congress reacting in a rather emotional way.

So, I am appealing to you and other people to come in here with a little more substance in your arguments and come in here with some more statements that will indicate that the Japanese Government is going to do something.

The Secretary of Commerce came in here the other day and indicated not to do anything on textiles, that possibly in 4 or 5 weeks some agreement might be reached. I understood that they are whistling in the dark on that one, that there is no possibility of an agreement in 4 or 5 weeks.

These are the type of vague statements that are being made here and promises the things are being held out to us. "Everything will be straightened away." I think we have to be a little bit more realistic. We are not going to sit back and let all the industries in our areas go down the drain and do nothing about it.

Fifty-five shoe factories have gone out of business in 18 months. That might not bother you, but it bothers the people that have their investments in there and it bothers the thousands of workers that were there, 77,000 textile employees lost their jobs. That might not bother you, but it bothers them.

This trade adjustment and escape clauses, all of these things that they promise in this bill, we have to do some thinking and looking ahead. I would hate to see Detroit in a real unemployment position as they might be if the Japanese Government doesn't do something on their end and if these European countries don't do something about removing these illegal taxes that are a complete violation of the GATT agreements. Nobody over here seems to be concerned about these violations. None of our negotiators of our Government have gone to these people and have said, "You are violating agreements that we made."

All they tell us is if we do something over here, somebody might retaliate.

Good God, they can't retaliate any more than they are right now. I don't know what else they could do.

Mr. TORO. Mr. Chairman, in this statement we make a very strong endorsement for negotiations leading to a reduction of the obviously existing nontariff barriers and the various other restrictions. I believe that the initial GATT report lists some 370 of them.

Obviously, we are guilty of some of them too. A greater effort has to be made. I think this effort can only be successful if we do not ourselves reverse a basic policy position in favor of freer trade. The imposition of severe restrictions on imports into the United States will almost immediately be reflected in a downturn in our own export.

Mr. LYON. Mr. Chairman, I would say that your very persuasive statement goes to support rather than to detract from the position of the Detroit Chamber of Commerce. It is obvious that while you were speaking of the shoe industry, if we are going to revert to expediency,

the Detroit Chamber of Commerce could possibly take the lead. The automotive industry is sorely hurt by some of the actions of foreign governments as we have discussed.

I think it should be emphasized that notwithstanding the ease with which the Detroit area, the automotive industry in general, could slip into a reactionary posture, we feel that it is in the long range best interests of the United States to pursue freer trade policies.

It is going to hurt in certain instances. It is going to hurt the automotive industry with which we are closely identified just as hard as it is going to hurt the shoe and textile and other industries.

It is interesting to note that considerable discussion took place at the board of directors meeting on June 4, 1968, to which I alluded earlier. The steel industry in Detroit—and I am sure that there are many people who don't realize Detroit has a significant steel industry —was hurt at that point in time by the importation of Japanese stainless steel.

I was personally involved in this situation. I know that one of my clients could buy Japanese steel on the loading dock in Detroit for less than it was priced at the steel mill just 5 miles away.

It was interesting to note also that the breakage rate of the Japanese steel in production was far less than the U.S. steel. In other words, the quality of the Japanese stainless was superior to the U.S. Notwithstanding that immediate problem as presented to the Detroit Chamber of Commerce very effectively by the steel industry, the chamber chose to endorse the statement presented in 1968 opposing quotas on steel imports to the United States.

What we are trying to do is step above the immediate problem and look to the long range. We have confidence that ultimately it is going to work to the best interest of this Nation.

Mr. BURKE. Thank you. We appreciate your testimony.

Mr. LYON. We thank you for hearing the Detroit Chamber of Commerce.

Mr. BURKE. Our next witness is Mr. Willard Luft, cochairman, Footwear Importers Group of the Italy-America Chamber of Commerce, along with Leon Atkind and Arthur A. De Santis.

## STATEMENT OF WILLARD LUFT, COCHAIRMAN, FOOTWEAR IMPORTERS GROUP, ITALY-AMERICA CHAMBER OF COMMERCE; ACCOMPANIED BY ARTHUR A. DE SANTIS, EXECUTIVE SECRETARY, AND LEON ATKIND, CHAIRMAN, TEXTILE IMPORTERS GROUP

Mr. DE SANTIS. Mr. Chairman and members of the committee, as executive secretary of the Italy-America Chamber of Commerce, it is my pleasure to introduce to you Mr. Willard Luft and Mr. Leon Atkind, who will testify for the chamber.

### STATEMENT OF WILLARD LUFT

Mr. LUFT. Mr. Chairman, and members of the committee, my name is Willard Luft, president of Lujan, Inc., importers of fashion footwear from Italy and other countries and owner of several retail stores and selling both imported and domestic footwear. I am cochair-

man of the Footwear Importers Group of the Italy-America Chamber of Commerce.

One of the biggest items in Italy-America trade is shoe imports from Italy. Italy supplies approxibately 60 percent of leather footwear imports and about 30 percent of all footwear imports. I should like to highlight a number of important factors necessary to a meaningful analysis of the footwear trade and industry.

First, and foremost, footwear is a fashion item. No other single factor is as important in creating high consumer demand. In turn this demand dictates production, marketing, and sales of domestic and foreign made footwear. Italy is the leading factor in footwear styles and leather craftsmanship. If Italian high fashion, high quality, high price shoe imports to the United States are inhibited by so-called orderly marketing arrangements, or cut back by quotas, the domestic industry—which must rely on fashion and style appeal each season—would suffer.

The U.S. Tariff Commission's report of January 1969 reports changes in consumer preferences in some detail, and specifically states on page 26:

> Consumer interest in spending part of their increased income on footwear has been stimulated by the growth in leisure time activities, which create demand for footwear designed for special purposes, and increased emphasis on high-style footwear for men as well as for women.

Thus, imports of fashion footwear from Italy actually help to develop new sales. As has been clearly established before the commission, imported Italian styles result in more rather than less business, for U.S. manufacturers. With mass production capacity, U.S. producers can and do make larger volume and lower unit-cost copies of imported styles. The commission reports that an estimated 30 percent of imports are bought by U.S. manufacturers. The plain fact is that imports are necessary to supplement their lines in response to demand created by Italian design.

Second, footwear imports from Italy to the United States are leveling off, totaling about 60 million pairs in 1969. It is most important to point out that over half of this amount, an estimated 35 million pairs, consist of sandals. Sandals do not compete with shoes as such. If sandals are separated from total footwear import statistics for 1969, Italian made leather shoes show an average unit value of $5.86 per pair. No charge of low-price unfair competition can be leveled at footwear from Italy.

Third, wages and workers' benefits in Italy are up to approximately $2 per hour this year, which is close to the U.S. wages of about $2.41 per hour. Customs duties average 14 to 20 percent ad valorem; ocean shipping, cargo pilferage, and other costs of importation wipe out wage advantages from Italy.

Fourth, it has also been alleged that imports allow high mark-up. The Tariff Commission found agreement in the footwear industry that markups range from 40 to over 50 percent of all retail prices for all footwear. The Commission's January 1969 report also reflects testimony that markup percentages, while varying with unit values, did not vary with the source of supply. In point of fact, the landed value of Italian made leather footwear, excluding sandals, averages more than $6 per pair, after inclusion of all costs.

Fifth, financial reports issued by U.S. footwear manufacturers show continuing healthy net profits. U.S. footwear wages have increased steadily: from $1.82 in 1965 to $2.41 in January 1970. Average hours worked per week continue at a high level of over 38 hours with 2 hours overtime. U.S. mainland footwear industry employment is stable (1969 average 226,800 employees, January 1970 average 224,200), despite the fact that the industry has indicated difficulty in recruiting young workers in competition with electronics and other industries. If U.S. manufacturers have suffered reductions in production proposed restrictions on imports will not help, because the difficulties they have result in major part from U.S. competition, shortages of labor, lack of styling development, and in some instances, just plain, inefficient and unaggressive management. The domestic footwear industry has followed textile manufacturer's trends toward establishing new plants in lower cost regions. U.S. footwear producers operate a number of plants in Puerto Rico.

In conclusion, quotas would surely invite international repercussions. The U.S. balance of payments with Italy—long favorable to the United States—is improving. Since their footwear business with the United States is essential to Italy it must be feared that there will be retaliation if quotas are written into law.

In addition to the domestic industry, the consumer would be the big loser if quotas are established. Not only will his choice be diminished, but import restrictions must lead to higher prices and added inflationary pressures. We therefore oppose quotas and support the enactment of H.R. 14870.

## STATEMENT OF LEON ATKIND

Mr. ATKIND. Mr. Chairman, members of the Committee on Ways and Means, my name is Leon Atkind. I am president of Colfax Industries; a major U.S. manufacturer and importer of textile products. I appear before you today as spokesman for American companies who are members of the textile importers group of the Italy-America Chamber of Commerce.

The chamber and in particular the textile-importer group, strongly supports enactment of H.R. 14870 and continuation of the longstanding policy of the United States to pursue trade liberalization where such policy is in the national interest. That is not to say that those of us importing textiles and textile products, predominantly from Italy, are not suffering lost sales due to certain low priced competition.

We believe however, that so-called orderly marketing proposals, such as those included in H.R. 16920, will serve only to create an unnatural market in the United States resulting from limited available supplies of high fashion Italian imports of men's and women's knitwear, woolen goods, fabrics and similar products. The result would be shortages of high style, high quality textile products presently very much desired by the American consumer.

These Italian imports have served as well to stimulate the U.S. textile industry with a constant flow of new concepts in fashion. It is the rule, rather than the exception, that articles such as for example, ladies' knitwear, which are designed in Italy and imported at relatively high cost for sale at substantial retail prices, stimulate U.S. mass production and sales of copies. To severely curtail or eliminate high quality Italian made textile products by the broad-brush approach of overall quotas

would be absurd. If indeed the domestic textile manufacting industry, which is enjoying a high level of production is concerned about low-price foreign competition, it must be concluded that they are not concerned with most Italian made goods.

H.R. 16920 refers to textile "categories." This, I believe is the key to your consideration of international trade in textiles and how it affects U.S. labor, business and the consuming public. Speaking for importers of Italian made goods, I can flatly state that our product and price-range categories should not be included in any consideration of quota or orderly marketing schemes. Italian textiles cannot be described as "low priced import competition."

A comprehensive system of across-the-board import quotas on textiles and apparel of all kinds could be needlessly detrimental to U.S. consumers, exporters, and some U.S. producers who suplement their own product lines with high quality and fashionable imported products.

I personally have built a substantial business of domestic manufacturing on this principle.

Italian production of knit outerwear, for example, has been imported into the United States to meet the constantly growing demand. About four-fifths of the value of U.S. imports of knit outerwear imported from Italy is made of wool. As indicated by our tabulation of U.S. imports of knit wool outerwear Italy has supplied the largest value of such imports during the last 5 years. However, by 1969 its share of the total value of U.S. imports has declined steadily, from 50 percent in 1965 to about 37 percent in 1969.

(The tabulation referred to folows:)

KNIT WOOL OUTERWEAR: U.S. IMPORTS FOR CONSUMPTION, BY PRINCIPAL SOURCES, 1965–69

| Source | 1965 | 1966 | 1967 | 1968 | 1969 |
|---|---|---|---|---|---|
| Quantity (1,000 pounds): | | | | | |
| Italy | 12,902 | 9,839 | 8,480 | 10,702 | 7,714 |
| Hong Kong | 8,907 | 9,580 | 10,104 | 14,732 | 15,797 |
| United Kingdom | 1,171 | 1,219 | 1,126 | 1,653 | 1,564 |
| All other | 3,249 | 3,880 | 3,638 | 4,647 | 4,192 |
| Total | 26,229 | 24,518 | 23,348 | 31,734 | 29,267 |
| Value (1,000 dollars): | | | | | |
| Italy | 70,753 | 67,059 | 64,126 | 72,474 | 60,402 |
| Hong Kong | 37,395 | 41,712 | 44,789 | 62,648 | 72,421 |
| United Kingdom | 11,282 | 11,921 | 11,018 | 13,229 | 13,544 |
| All other | 23,310 | 26,163 | 24,341 | 27,440 | 18,727 |
| Total | 142,740 | 146,855 | 144,274 | 175,791 | 165,094 |
| Unit value (dollars per pound): | | | | | |
| Italy | 5.48 | 6.81 | 7.56 | 6.77 | 7.83 |
| Hong Kong | 4.20 | 4.35 | 4.43 | 4.25 | 4.58 |
| United Kingdom | 9.64 | 9.78 | 9.79 | 8.00 | 8.66 |
| All other | 7.17 | 6.74 | 6.69 | 5.90 | 4.47 |
| Average, all countries | 5.44 | 5.99 | 6.18 | 5.54 | 5.64 |

Source: Official statistics of the U.S. Department of Commerce as compiled by the U.S. Tariff Commission.

Mr. ATKIND. The average unit value of imports from Italy has always been high and recently increased in relation to that of imports from other countries. Notably however, while the share of U.S. imports of knit wool outerwear from Italy has steadily declined in recent years, that of imports from Hong Kong, for example, has just steadily increased—from 26 percent of the total value in 1965 to 44 percent in

1969. The value of U.S. imports of knit wool outerwear from all countries other than Italy was about 1 percent larger in 1969 than in 1968.

The value of imports of such outerwear from Italy, however, was 17 percent smaller in 1969 than in 1968, despite a 16 percent rise in the average value per pound of imports from that country. We as importers as well as domestic manufacturers are all affected by low-cost competition.

In 1969 Italy purchased approximately $1.26 billion worth of American made goods while it exported products valued at roughly $1.20 billion. Textiles and clothing accounted for about $185 million of Italian shipments to our country, representing their second largest export product category sold for American consumption.

Yet in terms of total U.S. consumption of such products, Italian made textile imports accounted for less than one-half of 1 percent of total U.S. supplies and less than 10 percent of total U.S. textile imports.

Italian made textiles competed at price levels far above average import unit values and in some instances above U.S. wholesale prices. A good comparison product line is knit wool outerwear. In 1969 Italian made products imported into the United States sold at an average of $7.83 per pound while Hong Kong products were priced at $4.58. Average value for all countries was $5.64.

In conclusion, I wish to state that Italian textile products have always been accepted as an integral part of the U.S. fashion industry. They do not negatively affect the domestic price structure and cannot be blamed for problems in the U.S. textile industry. Accordingly we oppose any quota proposals or orderly marketing arrangements which will discriminate against Italian made textile products.

Mr. Chairman, I met with other domestic manufacturers last week who are also concerned with certain low-cost imports and who have asked that I submit their letter addressed to me for your consideration as well.

Mr. BURKE. You can read that letter now, if you want to.

Mr. ATKIND. It is addressed to Mr. Leon Atkind, Colfax Industries, 550 Getty Avenue, Clifton, N.J. 07013, as follows:

DEAR MR. ATKIND: I understand that it will be your privilege to testify before the House Ways and Means Committee on H.R. 16920 as proposed by Rep. Wilbur Mills for the regulation if imported apparel and footwear.

Today a meeting was held on the problems of apparel imports by management representatives of the following six companies, all leading New Jersey manufacturers of knitted outerwear:

Dexter Knitting Mills, Inc., Wallington, N.J.,
Bergen Knitting Mills, Inc., Union City, N.J.,
Kiss Knitting Mills, Inc., North Bergen, N.J.,
Vargish Knitwear Co., Union City, N.J.,
Colfax Industries, Clifton, N.J.,
Peter Freund Knitting Mills Inc.

It was the considered and unanimous conclusion of everyone present that urgent action is needed now to stem the tidal wave of cheap imported apparel, if we and the knitted outerwear industry are to survive. The number of concerns in our industry is constantly getting smaller, and so is the total employment.

Interestingly, it was unanimously agreed that imports of high fashion apparel from Italy and other European nations do not embody a threat to our industry, as do the cheap Asian imports.

If at all possible, the six companies listed herein request that you make known to the committee our serious plight, and our desperate need for the relief provided by H.R. 16920.

It is signed Peter Freund Jr.

Mr. BURKE. Are there any questions?

Mr. CONABLE. I wonder if you gentlemen could give me a frank assessment of the extent to which domestic retailers make a better markup on imported goods than they do on domestic goods?

Is this anything about which one can generalize?

Mr. ATKIND. I don't think so. I think I am qualified to answer you because I manufacture domestic goods as well as imports. In our instance the markups that we price mark on the goods that we sell are exactly the same.

We have a broad distribution throughout every State of this country.

So from my own experience, in my business, which is men's knitwear, the markups are identical.

Mr. LUFT. I would say that the shoe industry is identical from our experience that markup is the same both on import or domestic.

Mr. ATKIND. Is there in the typical shoestore a wide range of prices today, or do imported and domestic goods sell at pretty much the same level?

Mr. LUFT. I would say pretty much so, they sell at the same level.

Mr. CONABLE. Of comparable quality?

Mr. LUFT. Comparable quality, yes, and at the same mark up. They mark them all the same, as far as mark up is concerned.

Mr. CONABLE. Thank you.

Mr. GIBBONS. Mr. Luft, I notice in your statement on page 2 that you make the following statement down at the bottom of the page.

5. Financial reports issued by U.S. footwear manufacturers show a continuing healthy profit.

Would you mind telling me what is the source of that quote there?

Mr. LUFT. This was put together by our economist who has gathered it, from published reports in the newspapers.

Mr. GIBBONS. I am not doubting your statement here. I just want to be specific. Would you mind furnishing for this record the basic underlying information for that statement, reports that you have?

I don't happen to have those reports. I just don't have them available to me. I thought maybe you might have a source of even getting them that I don't have.

Would you mind furnishing those so that we can make a judgment based on those reports as well as this assertion?

Mr. LUFT. I don't have them with me. But we will have it put together for you.

Mr. GIBBONS. Will you be so kind as to forward to me for insertion in the record the basic underlying information that backs up that statement down there marked 5 concerning financial reports?

Mr. LUFT. All right, sir.

Mr. GIBBONS. I would ask unanimous consent Mr. Chairman, that we can place that information at this point in the record.

Mr. BURKE. Without objection, it is so ordered.

(The information referred to follows:)

TABLE I.—U.S. SHOE PRODUCERS AND SHOE DISTRIBUTORS: STATISTICAL POSITION OF LEADING COMMON STOCKS [1]

| | | Annual or interim operating data | | | | | | | | Annual earnings—Dollar dividends per share | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of months | Sales [2] | | Percent change | Net income [2] | | Percent change | Earnings, dollars per share | | Year ends | Dollars per share | | | | Indicated rate [4] | 1969–70 price range | Mar. 3, 1970 price | Price earnings ratio [5] | Yield percent [6] |
| | | 1968 | 1969 | | 1968 | 1969 | | 1968 | 1969 | | 1967 | 1968 | 1969 | 1969 [3] | | | | | |
| Shoe producers: | | | | | | | | | | | | | | | | | | | |
| Craddock-Terry | September 12 | 57.8 | 63.0 | +9.0 | 2.19 | 2.35 | +7.3 | 1.89 | 2.03 | Sep | 1.55 | 1.89 | 2.03 | [8] 0.55 | [8] 0.60 | 31¾-17¾ | 19 | 9.4 | [8] 3.2 |
| Green Shoe Manufacturing.[7] | Nov. 12 | 43.5 | 43.4 | −.2 | 3.49 | 2.78 | −20.4 | 2.44 | 1.93 | Nov | 1.59 | 2.44 | 1.93 | 1.17½ | 1.20 | 36½-17 | 20 | 10.4 | 6.0 |
| Weyenberg Shoe [7] | Sept. 9 | 36.7 | 38.6 | +5.2 | 1.60 | 1.66 | +3.8 | 1.91 | 1.98 | Dec | 2.32 | 2.55 | [9] 2.65 | 1.20 | 1.20 | 46⅞-27¼ | 29 | 10.9 | 4.1 |
| Wolverine World W.[7] | 36 weeks | 45.5 | 53.4 | +17.4 | 2.20 | 2.43 | +10.4 | .69 | .76 | do | .95 | .97 | [9] 1.15 | [10] .50 | .50 | 21 -11¼ | 12 | 10.4 | 4.2 |
| Shoe producers and distributors: | | | | | | | | | | | | | | | | | | | |
| Beck Industries [11] | Sept. 9 | 81.0 | 128.5 | +58.6 | 2.19 | 2.62 | +19.6 | .51 | .57 | do | [12] .65 | 1.27 | [9] 1.50 | Nil | Nil | 42½-13¼ | 14 | 9.3 | Nil |
| Brown Shoe [7] | Jan. 3 [13] | 102.5 | 101.7 | −.8 | 5.53 | 3.88 | −29.8 | .82 | .57 | Oct | 2.87 | 3.14 | 2.40 | 1.50 | 1.50 | 57¾-28¼ | 31 | 12.9 | 4.8 |
| Endicott-Johnson [7] | 39 weeks | 110.1 | 119.5 | +8.5 | .80 | [13] .85 | ------- | .71 | [14] 1.28 | Jan | [14] .59 | [14] 1.20 | (9)([11])([15]) | .12½ | Nil | 46 -19⅛ | 24 | ------- | Nil |
| Genesco, Inc.[7] | Jan. 6 [13] | 611.0 | 617.1 | +1.0 | 18.44 | 18.69 | +1.4 | 1.56 | 1.51 | July | 2.80 | [14] 3.12 | [11] 2.52 | 1.60 | 1.70 | 55 -26⅛ | 28 | 11.1 | 6.1 |
| Interco, Inc.[7] | Nov. 12 | 669.5 | 706.1 | +5.5 | 25.09 | 25.42 | +1.3 | 3.12 | 3.14 | Nov | 2.51 | 3.12 | 3.14 | 1.00 | 1.10 | 49 -25 | 28 | 8.9 | 3.9 |
| Melville Shoe Corp.[7] | Dec. 12 | 293.0 | 362.5 | +23.7 | 16.23 | 19.05 | +17.4 | 2.89 | 3.26 | Dec | 2.54 | 2.89 | 3.26 | 1.30 | 1.50 | 81 -52¼ | 80 | 24.5 | 1.9 |
| SCOA Industries [16] | Oct. 9 | 195.6 | 192.6 | −1.5 | 1.54 | 2.26 | +46.8 | .46 | .67 | Jan | [17] 1.03 | [17] 1.34 | [9] [7] 2.70 | .50 | .60 | 27½-14 | 15 | 5.6 | 4.0 |
| U.S. Shoe Corp.[7] | Jan. 3 [13] | 65.6 | 67.6 | +3.0 | 3.18 | 2.87 | −9.8 | .52 | .45 | Oct | 1.45 | 1.82 | 1.75 | .88 | .88 | 34 -17⅝ | 20 | 11.4 | 4.4 |
| Distributors: | | | | | | | | | | | | | | | | | | | |
| Edison Bros. Stores [7] | 39 weeks | 172.2 | 171.2 | −.6 | 6.59 | 4.83 | −26.7 | 1.52 | 1.12 | Dec | 2.40 | 2.59 | [9] 2.10 | 1.00 | 1.00 | 51 -24 | 25 | 11.9 | 4.0 |
| Morse Shoe, Inc. [16] | Sept. 9 | 94.0 | 107.0 | +13.8 | 3.38 | 3.74 | +10.6 | 1.23 | 1.33 | Dec | 2.14 | 2.51 | [9] 2.75 | .60 | .70 | 40½-27⅝ | 29 | 10.5 | 2.4 |

[1] Adjusted wherever necessary for stock splits and dividends.
[2] Millions of dollars.
[3] Dividends of fiscal year companies are for 1968–69.
[4] Based on latest divident payment.
[5] Based on estimated 1969 or 1969–70 earnings or actual 1969 or 1968–69 earnings.
[6] Based on indicated rate.
[7] NYSE.
[8] Plus 5 percent stock.
[9] Estimated.
[10] Dividends declared.
[11] ASE.
[12] Restated.
[13] Figures for the following calendar years.
[14] Deficit.
[15] Figures for years ended Nov. 30, 1967, Nov. 30, 1968, and Jan. 31, 1970, respectively; before spec. credit of $1.39 a share in 1968 and $2.09 in 1967.
[16] Consolidated.
[17] Figures for 1967–68, 1968–69, and 1969–70 fiscal year respectively.

Source: Standard & Poor's U.S. industry survey for leather and shoes, Mar. 12, 1970 (vol. 138, No. 11, sec. 1).

TABLE II.—PROFIT MARGINS (PERCENT): OPERATING INCOME AS A PERCENTAGE OF SALES[1]

| Year | U.S. shoe producers | | | | U.S. shoe producers and distributors | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Craddock | Green | Weyen BG | Wolverine | Beck | Brown | Endicott | Genesco | Interco | Melville | Scoa | U.S. Shoe |
| 1969[2] | 8.2 | 13.4 | 9.6 | 7.3 | 4.7 | 8.5 | [3] −6.4 | 4.8 | 6.9 | 8.9 | ([4]) | 7.7 |
| 1968[2] | 9.1 | 16.3 | 9.6 | 8.6 | 6.0 | 11.2 | 1.6 | 5.6 | 6.9 | 9.3 | ([4]) | 8.8 |
| 1969[5] | 9.6 | 14.3 | 11.8 | 10.2 | 4.9 | 9.5 | ([3]) | 6.3 | 8.0 | 10.3 | ([4]) | 8.8 |
| 1968 | 10.6 | 17.4 | 11.8 | 12.0 | 6.2 | 12.5 | 4.5 | 7.3 | 8.0 | 10.8 | 4.9 | 10.1 |
| 1967 | 8.9 | 12.5 | 13.2 | 10.6 | 5.7 | 12.4 | 4.2 | 6.8 | 7.1 | 10.5 | 3.9 | 8.9 |
| 1966 | 8.5 | 12.1 | 14.3 | 12.5 | 3.6 | 12.4 | 4.7 | 6.8 | 6.5 | 9.2 | 2.6 | [6] 8.8 |
| 1965 | 7.8 | 13.2 | 15.2 | 16.5 | 2.2 | 11.9 | 4.0 | 6.1 | 6.5 | 8.5 | 3.5 | 10.5 |
| 1964 | 6.0 | 16.1 | 16.8 | 17.5 | 1.8 | 11.4 | 4.2 | 5.7 | 5.9 | 8.3 | 3.5 | 11.6 |
| 1963 | 4.6 | 15.9 | 17.6 | 13.9 | .4 | 9.6 | .02 | 5.9 | 6.0 | 6.9 | 3.3 | 12.3 |
| 1962 | 4.3 | 17.6 | 16.7 | 13.6 | ([3]) | 9.8 | 3.5 | 5.6 | 7.2 | 7.5 | 4.2 | 12.6 |
| 1961 | 5.4 | 18.0 | 15.8 | 12.1 | 1.7 | 8.9 | ([3]) | 6.0 | 5.2 | 9.0 | 4.8 | 13.3 |
| 1960 | 5.2 | 16.7 | 14.6 | 9.4 | 2.8 | 9.4 | .6 | 6.3 | 8.2 | 9.2 | 4.7 | 12.5 |
| 1959 | 6.7 | 17.3 | 13.6 | 9.8 | 3.3 | 10.1 | 5.9 | 8.2 | 8.4 | 9.8 | 5.8 | 14.0 |
| 1958 | 6.9 | 17.0 | 14.4 | 7.9 | 2.8 | 9.3 | 6.2 | 6.8 | 8.2 | 9.9 | 5.6 | 11.9 |

[1] Operating income is usually the balance left from sales after deducting operating costs, selling, general and administrative expenses; local and State taxes; provision for bad debts and pensions; but before other income and before deducting depreciation charges, debt service charges if any, Federal taxes and any special reserves.

[2] Data show net operating income before Federal taxes as percent of sales, but after other deductions (from table III). Shown for purposes of comparison of net operating income with operating income for 1968 and for computation of operating income estimate for 1969, listed in line footnoted 5.

[3] Deficit.

[4] Not available.

[5] Estimate, computed by applying the ratio derived from comparison of the net operating income data for 1968 (footnoted 2) with operating income data listed for 1968 for the same companies, to the net operating income data (footnoted 2) for 1969.

[6] After depreciation.

Source: Standard & Poor's Basic Analysis, June 1969, except items for 1968 and 1969 footnoted 2 (as to which see table III) and as otherwise indicated.

TABLE III.—PROFIT EXPERIENCE OF MAJOR U.S. FOOTWEAR COMPANIES, 1968-69

| Company, by type | Year ending | Sales (millions of dollars) | | Net operating profit as percent of sales [1] | |
|---|---|---|---|---|---|
| | | 1968 | 1969 | 1968 | 1969 |
| Shoe producers: | | | | | |
| Craddock-Terry | Sept. 28 | $57.8 | $63.0 | 9.1 | 8.2 |
| Green Shoe Manufacturing | Nov. 28 | 43.5 | 43.4 | 16.3 | 13.4 |
| Weyenberg Shoe | Dec. 31 | 50.9 | 52.5 | 9.6 | 9.6 |
| Wolverine World Wide | Dec. 31 | 90.7 | 100.8 | 8.6 | 7.3 |
| Total of above | | 242.9 | 259.7 | 10.3 | 9.0 |
| Shoe producers and distributors: | | | | | |
| Beck Industries | Dec. 31 | 124.9 | 198.5 | 6.0 | 4.7 |
| Brown Shoe Co | Oct. 31 | 384.6 | 395.0 | 11.2 | 8.5 |
| Endicott-Johnson | Jan. 31 | 136.8 | 150.5 | 1.6 | [2] 6.4 |
| Genesco, Inc.[3] | July 31 | 1,112.9 | 1,185.6 | 5.6 | 4.8 |
| Interco, Inc | Nov. 30 | 669.5 | 706.1 | 6.9 | 6.9 |
| Melville Shoe Corp | Dec. 31 | 293.0 | 362.5 | 9.3 | 8.9 |
| U.S. Shoe Corp | Oct. 31 | 244.6 | 275.7 | 8.8 | 7.7 |
| Total of above | | 2,966.3 | 3,273.9 | 7.1 | 5.9 |
| Grand total | | 3,209.2 | 3,533.6 | 7.3 | 6.1 |

[1] Before income taxes.
[2] Loss.
[3] Data for Genesco in subsequent 6 months:

| | 1969 | 1970 |
|---|---|---|
| Sales, in millions of dollars | 611.0 | 617.1 |
| Net operating profit as percent of sales | 5.7 | 5.8 |

Source: Moody's Industrials.

TABLE IV.—PROFIT EXPERIENCE OF U.S. NONRUBBER FOOTWEAR PRODUCERS, AND FOR U.S. PRODUCERS OF ALL LEATHER AND LEATHER PRODUCTS, SELECTED YEARS

| Item | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 |
|---|---|---|---|---|---|---|---|
| U.S. producers' sales (million dollars) [1 2] | $2,412 | $2,629 | $2,803 | $3,161 | $3,301 | $3,209 | $3,534 |
| Net operating profit to sales ratio (percent) [1 2] | 4.9 | 5.4 | 5.5 | 6.0 | 6.6 | 7.3 | 6.1 |
| All U.S. leather manufacturers' sales (million dollars) [3] | | | | $5,913 | $6,181 | $6,273 | $6,434 |
| Net operating profit to sales ratio (percent) [3] | | | | 5.4 | 5.3 | 6.2 | 4.9 |

[1] Years 1963 through 1967: U.S. Tariff Commission study of nonrubber footwear producers, all sizes (TC Publication 276, January 1969.)
[2] Data for 1968 and 1969 computed from Moody's Industrials for 11 major footwear producers and producer-distributors.
[3] Data computed from reports of the Federal Trade Commission/Securities and Exchange Commission reports for all manufacturers of leather and leather products. (see also table V)

TABLE V—FINANCIAL STATEMENT IN RATIO FORM FOR U.S. CORPORATIONS MANUFACTURING LEATHER AND OEATHER PRODUCTS, BY QUARTERS 1966-69

(Income statement items are stated as a percent of sales; balance sheet items are stated as a percent of total assets; additional operating ratios are based on dollar figures given in table 8.)

| | Leather and Leather Products | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1966 | | | | 1967 | | | | 1968 | | | | 1969 | | | |
| | 1st quarter | 2d quarter | 3d quarter | 4th quarter | 1st quarter | 2d quarter | 3d quarter | 4th quarter | 1st quarter | 2d quarter | 3d quarter | 4th quarter | 1st quarter | 2d quarter | 3d quarter | 4th quarter |
| | (Percent of sales) | | | | | | | | | | | | | | | |
| INCOME | | | | | | | | | | | | | | | | |
| Sales (net of returns, allowances, and discounts) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Deduct: Costs and expenses (net of purchase discounts) | 94.1 | 94.6 | 94.4 | 94.6 | 94.1 | 95.5 | 94.4 | 93.6 | 93.8 | 94.2 | 93.3 | 93.0 | 94.8 | 95.2 | 94.8 | 94.0 |
| Net profit from operations | 5.9 | 5.4 | 5.6 | 5.4 | 5.9 | 4.5 | 5.6 | 6.4 | 6.2 | 5.8 | 6.7 | 7.0 | 5.2 | 4.8 | 5.2 | 6.0 |
| Add: Other income or dedutcions (net) | −0.1 | −0.1 | −0.3 | −0.1 | −0.2 | −0.4 | −0.3 | −0.3 | −0.1 | −0.2 | −0.3 | −0.2 | −0.2 | −0.3 | −0.4 | −0.5 |
| Net profit before Federal income taxes | 5.7 | 5.2 | 5.3 | 5.3 | 5.7 | 4.1 | 5.3 | 6.1 | 6.0 | 5.6 | 6.4 | 6.8 | 5.0 | 4.5 | 4.8 | 5.5 |
| Deduct: Provision for Federal income taxes | 2.6 | 2.3 | 2.3 | 2.3 | 2.5 | 2.0 | 2.3 | 2.7 | 2.7 | 2.6 | 3.2 | 3.2 | 2.6 | 2.1 | 2.2 | 2.5 |
| Net profit after taxes | 3.1 | 3.0 | 3.0 | 3.0 | 3.2 | 2.1 | 3.0 | 3.4 | 3.3 | 3.1 | 3.3 | 3.6 | 2.4 | 2.3 | 2.6 | 3.0 |
| Depreciation and depletion included above, including accelerated amortization of emergency facilities | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 1.0 | 1.0 | 1.0 | 1.1 | 1.2 | 1.1 | 1.1 | 1.1 | 1.2 | 1.2 |
| | (Percent of total assets) | | | | | | | | | | | | | | | |
| ASSETS | | | | | | | | | | | | | | | | |
| Cash on hand and in bank | 6.9 | 6.5 | 6.6 | 6.3 | 5.8 | 6.0 | 6.8 | 7.0 | 6.3 | 6.3 | 7.7 | 6.3 | 4.6 | 5.4 | 5.6 | 5.4 |
| U.S. Government securities, including Treasury savings notes | 0.8 | 0.8 | 0.6 | 0.8 | 0.7 | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 0.4 | 0.4 | 0.4 | 0.3 | 0.2 | 0.3 |
| Total cash and U.S. Government securities | 7.6 | 7.3 | 7.3 | 7.1 | 6.4 | 6.4 | 7.3 | 7.6 | 6.9 | 6.9 | 8.1 | 6.7 | 5.0 | 5.7 | 5.9 | 5.6 |
| Receivables from U.S. Government, excluding tax credits | 0.2 | 0.2 | 0.4 | 0.3 | 0.3 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |
| Other notes and accounts receivable (net) | 29.4 | 27.5 | 28.9 | 28.1 | 27.6 | 26.2 | 29.9 | 28.9 | 29.4 | 28.2 | 30.4 | 29.3 | 28.5 | 26.7 | 28.5 | 28.5 |
| Total receivables | 29.6 | 27.7 | 29.3 | 28.4 | 27.9 | 26.6 | 30.1 | 29.2 | 29.7 | 28.3 | 30.5 | 29.4 | 28.7 | 26.9 | 28.6 | 28.6 |
| Inventories | 38.9 | 40.5 | 39.5 | 39.6 | 40.0 | 41.6 | 38.6 | 37.8 | 38.3 | 40.4 | 38.0 | 38.3 | 38.4 | 39.9 | 38.4 | 37.1 |
| Other current assets | 2.1 | 2.6 | 2.3 | 2.3 | 2.1 | 2.5 | 2.3 | 2.7 | 2.4 | 2.2 | 2.0 | 2.2 | 2.2 | 2.3 | 2.2 | 2.2 |
| Total current assets | 78.2 | 78.2 | 78.4 | 77.4 | 76.5 | 77.1 | 78.2 | 77.2 | 77.3 | 77.8 | 78.5 | 76.5 | 74.4 | 74.8 | 75.0 | 73.6 |
| Property, plant, and equipment | 34.0 | 33.4 | 34.0 | 33.5 | 34.0 | 34.5 | 34.1 | 34.0 | 34.9 | 34.5 | 33.8 | 33.9 | 32.9 | 32.5 | 34.0 | 33.7 |
| Deduct: Reserve for depreciation and depletion | 18.4 | 17.9 | 18.4 | 17.7 | 17.6 | 18.0 | 18.1 | 17.8 | 18.5 | 18.5 | 17.3 | 17.1 | 16.4 | 16.1 | 16.9 | 16.4 |
| Total property, plant, and equipment (net) | 15.6 | 15.5 | 15.6 | 15.7 | 16.3 | 16.5 | 16.0 | 16.2 | 16.3 | 16.0 | 16.4 | 16.7 | 16.5 | 16.4 | 17.1 | 17.3 |
| Other noncurrent assets | 6.1 | 6.4 | 6.0 | 6.9 | 7.2 | 6.4 | 5.7 | 6.7 | 6.4 | 6.1 | 5.0 | 6.7 | 9.1 | 8.8 | 7.9 | 9.0 |
| Total assets | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | | | | | | | | | | | |
| Short-term loans from banks (original maturity of 1 year or less) | 9.0 | 10.7 | 9.9 | 8.7 | 9.3 | 9.9 | 8.8 | 7.2 | 6.9 | 9.0 | 9.2 | 8.0 | 9.6 | 11.7 | 11.3 | 10.4 |
| Advances and prepayments by U.S. Government | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Trade accounts and notes payable | 13.8 | 14.8 | 14.9 | 14.7 | 13.5 | 14.0 | 13.5 | 14.3 | 13.7 | 13.0 | 12.3 | 12.7 | 12.0 | 12.6 | 11.9 | 12.0 |
| Federal income taxes accrued | 3.4 | 2.8 | 2.9 | 3.2 | 3.2 | 2.6 | 2.6 | 3.0 | 3.1 | 2.3 | 2.5 | 2.9 | 2.6 | 1.8 | 1.4 | 1.6 |
| Installments, due in 1 year or less, on long-term debt: | | | | | | | | | | | | | | | | |
| (a) Loans from banks | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.6 | 0.3 | 0.5 | 0.5 | 0.4 | 0.4 | 0.3 | 0.5 | 0.6 | 0.7 | 0.7 |
| (b) Other long-term debt | 0.5 | 0.7 | 0.5 | 0.6 | 0.7 | 0.8 | 1.0 | 0.9 | 0.8 | 0.7 | 1.0 | 0.9 | 0.7 | 0.7 | 0.7 | 0.8 |
| Other current liabilities | 5.5 | 5.3 | 5.1 | 5.5 | 4.8 | 4.8 | 4.7 | 5.0 | 4.6 | 4.8 | 4.8 | 5.1 | 4.3 | 4.3 | 4.4 | 4.6 |
| Total current liabilities | 32.6 | 34.7 | 33.8 | 33.0 | 32.0 | 32.6 | 30.9 | 30.9 | 29.5 | 30.1 | 30.2 | 29.9 | 29.7 | 31.7 | 30.4 | 30.3 |
| Long-term debt due in more than 1 year: | | | | | | | | | | | | | | | | |
| (a) Loans from banks | 1.4 | 1.7 | 1.7 | 1.4 | 1.6 | 1.7 | 2.4 | 2.2 | 3.1 | 2.8 | 2.8 | 2.9 | 3.1 | 3.3 | 3.8 | 3.9 |
| (b) Other long-term debt | 10.6 | 9.6 | 10.2 | 10.7 | 10.6 | 10.0 | 9.8 | 9.9 | 10.2 | 10.5 | 10.0 | 10.3 | 10.1 | 9.7 | 9.9 | 9.8 |
| Other noncurrent liabilities | 1.8 | 1.8 | 1.8 | 1.7 | 1.7 | 1.6 | 1.8 | 1.9 | 1.9 | 1.7 | 1.6 | 1.7 | 1.6 | 2.0 | 2.1 | 2.3 |
| Total liabilities | 46.4 | 47.8 | 47.5 | 46.9 | 45.8 | 46.0 | 44.9 | 44.9 | 44.8 | 45.0 | 44.5 | 44.8 | 44.6 | 46.6 | 46.2 | 46.2 |
| Reserves not reflected elsewhere | | | | | | | | | | | | | | | | |
| Capital stock, capital surplus, and minority interest | 17.9 | 17.8 | 17.5 | 17.7 | 17.6 | 17.4 | 17.5 | 17.7 | 17.7 | 17.9 | 18.0 | 18.0 | 18.5 | 18.0 | 18.0 | 18.1 |
| Earned surplus and surplus reserves | 35.8 | 34.4 | 35.1 | 35.4 | 36.5 | 36.6 | 37.5 | 37.5 | 37.5 | 37.0 | 37.5 | 37.2 | 36.9 | 35.4 | 35.7 | 35.7 |
| Total stockholders' equity | 53.7 | 52.2 | 52.5 | 53.1 | 54.1 | 54.0 | 55.1 | 55.2 | 55.2 | 55.0 | 55.5 | 55.2 | 55.4 | 53.4 | 53.7 | 53.8 |
| Total liabilities and stockholders' equity | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | (Percent) | | | | | | | | | | | | | | | |
| **OPERATING RATIOS** | | | | | | | | | | | | | | | | |
| Annual rate of profit on stockholders' equity at end of period— | | | | | | | | | | | | | | | | |
| Before Federal income taxes | 23.9 | 21.8 | 22.4 | 23.2 | 22.9 | 15.6 | 21.3 | 25.9 | 24.0 | 22.0 | 24.3 | 27.1 | 17.7 | 15.8 | 17.5 | 20.5 |
| After taxes | 13.2 | 12.7 | 12.6 | 13.1 | 12.8 | 7.9 | 12.1 | 14.6 | 13.3 | 12.0 | 12.4 | 14.4 | 8.6 | 8.0 | 9.4 | 11.0 |
| | (Times) | | | | | | | | | | | | | | | |
| Current assets to current liabilities | 2.40 | 2.35 | 2.32 | 2.34 | 2.39 | 2.36 | 2.54 | 2.50 | 2.62 | 2.59 | 2.60 | 2.56 | 2.50 | 2.36 | 2.46 | 2.43 |
| Total cash and U.S. Government securities to total current liabilities | 0.23 | 0.21 | 0.22 | 0.22 | 0.20 | 0.20 | 0.24 | 0.25 | 0.23 | 0.23 | 0.27 | 0.22 | 0.17 | 0.18 | 0.19 | 0.19 |
| Total stockholders' equity to debt | 2.45 | 2.27 | 2.30 | 2.44 | 2.39 | 2.34 | 2.47 | 2.67 | 2.57 | 2.36 | 2.38 | 2.47 | 2.30 | 2.05 | 2.03 | 2.10 |

Note.—Data cover, in addition to corporations making shoes or slippers, those engaged in leather tanning and finishing, and in making leather belting, gloves, luggage, and handbags.

Source: Quarterly Financial Reports for Manufacturing Corporations, issued by the Federal Trade Commission—Securities and Exchange Commission (4th quarter 1969 data became available April 23, 1970).

TABLE VI.—FOOTWEAR, EXCEPT RUBBER, INDUSTRY IN THE UNITED STATES (SIC 314): NUMBER OF EMPLOYEES, AVERAGE EARNINGS, AND AVERAGE HOURS WORKED, 1965–69 AND JANUARY 1970, (EXCLUDING PUERTO RICO)

| Period | Number of employees | | Average earnings [1] | | Average hours worked | |
|---|---|---|---|---|---|---|
| | All employees | Production workers | Weekly | Hourly | Weekly | Overtime |
| Annual average: | | | | | | |
| 1965 | 234.5 | 208.8 | $68.80 | $1.82 | 37.8 | 1.6 |
| 1966 | 241.5 | 214.2 | 71.81 | 1.87 | 38.4 | 1.9 |
| 1967 | 230.6 | 202.1 | 76.38 | 2.01 | 38.0 | 1.7 |
| 1968 | 233.4 | 204.1 | 83.28 | 2.18 | 38.2 | 1.9 |
| 1969 | 226.8 | 197.6 | 85.24 | 2.31 | 36.9 | 1.6 |
| January: [2] 1970 | 224.2 | 195.3 | 91.82 | 2.41 | 38.1 | 2.0 |

[1] Includes overtime pay.
[2] Latest months for which final statistics are available.

Source: Official statistics of the U.S. Department of Labor.

Mr. BURKE. I have with me here an inventory of the industrial nontariff barriers on Italy which we will make a part of the record.

(The document referred to follows:)

ITALY

| Product | Type of restriction | Remarks |
|---|---|---|
| Valuation and taxes: Cigarettes | Excise tax | |
| Government procurement: All products | 30 percent of Government purchasing reserved to southern Italy and islands for development purposes. Ministry of Defense has recourse to foreign products only if domestic sources are unavailable or not suitable to needs. | Government departments do not in principle have any relations with foreign firms or suppliers but only with firms legally established in Italy. |
| Other restrictions: | | |
| Motion picture films | Screen-time quota, 28 percent | Exhibitors must show Italian features at least 100 days per year. Italian short subjects must be included in each performance for at least 180 days per year. |
| Cigarettes | State monopoly | The monopoly, excise taxes, and fixed retail prices are major factors in keeping Italian cigarette price significantly lower than foreign prices. |
| Nicotine products, salt, matches, flint, cigarette lighters. | State monopolies | |
| Quantitative restrictions: | | |
| Tetraethyl lead and antiknock preparations and wine. | Quota | |
| Essential oils, other than terpeneless, obtained from citrus, cork and cork products, motor vehicles for the transport of persons, etc., and special purpose motor lorries and vans, etc. chassis fitted with engines and bodies (including cabs) for the motor vehciles falling within heading Nos. 87.02 and 87.03. | Licensing | |
| Valuation and taxes: | | |
| Practically all products | Turnover tax of 4 percent levied on c.i.f. duty-paid value. | |
| Majority of imported items | Compensatory import tax of from 1.2 to 7.8 percent, levied on c.i.f. duty-paid value. | |
| Automobiles | Road tax | Tax applies heavily on vehicles with large cylinder displacement. |
| All imports | Administrative service fee (0.5 percent). Statistical fee (10 lira per unit). | Proposed legislation would remove these fees for imports from EC countries, but retain them until Jan. 1, 1971, for all others. |

Mr. BURKE. It does not seem that we have to bring a picture over there on the treatment of American products over there being imported in Italy.

To the gentlemen here that talked on shoe imports from Italy, on page 2 in your second statement, you point out that imports from Italy in 1969 was 60 million pairs.

How many did we import from Italy in 1965?

Mr. LUFT. I don't have that information with me. But I would be happy to get that for you.

Mr. BURKE. We will leave the record open at this point, without objection.

(The information referred to follows:)

TABLE VII.—SPECIFIED FOOTWEAR: U.S. IMPORTS FOR CONSUMPTION BY TYPES AND SELECTED SOURCES, 1967–69

| | Of leather (items 700.05–700.45) | | | Of rubber and plastics (item 700.55 [1]) | | | Other nonrubber footwear (items 700.66–700.85) | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1967 | 1968 | 1969 | 1967 | 1968 | 1969 | 1967 | 1968 | 1969 | 1967 | 1968 | 1969 |
| Quantity (1,000 pairs): | | | | | | | | | | | | |
| Italy | 39,841 | 54,451 | 56,991 | 1,285 | 4,263 | 3,799 | 550 | 572 | 293 | 41,676 | 59,286 | 61,084 |
| Japan | 1,089 | 1,088 | 989 | 55,782 | 64,629 | 61,082 | 3,062 | 3,220 | 4,713 | 59,933 | 68,937 | 66,785 |
| Spain | 6,576 | 13,905 | 20,040 | 64 | 253 | 627 | 116 | 110 | 62 | 6,696 | 14,268 | 20,728 |
| Taiwan | 214 | 47 | (2) | 6,603 | 16,217 | 25,605 | 69 | 89 | (2) | 6,886 | 16,353 | 25,896 |
| All other | 13,890 | 16,852 | 18,831 | 2,952 | 4,499 | 5,796 | 1,226 | 1,297 | 3,380 | 18,068 | 22,648 | 27,715 |
| Total | 61,550 | 86,343 | 96,851 | 66,686 | 89,861 | 96,909 | 5,023 | 5,288 | 8,448 | 133,259 | 181,492 | 202,208 |
| Value (1,000 dollars): | | | | | | | | | | | | |
| Italy | 100,370 | 151,274 | 190,301 | 1,288 | 4,998 | 6,009 | 1,204 | 1,104 | 820 | 102,862 | 157,376 | 197,130 |
| Japan | 1,694 | 2,585 | 2,595 | 33,082 | 45,920 | 52,551 | 785 | 918 | 2,168 | 35,561 | 49,423 | 57,314 |
| Spain | 22,862 | 47,311 | 72,438 | 53 | 266 | 855 | 51 | 58 | 174 | 22,966 | 47,635 | 73,467 |
| Taiwan | 321 | 83 | (2) | 2,880 | 8,223 | 13,961 | 19 | 63 | (2) | 3,220 | 8,369 | 14,250 |
| All other | 50,993 | 63,974 | 79,706 | 2,079 | 3,809 | 7,782 | 1,680 | 2,114 | 6,610 | 54,752 | 6,9877 | 93,809 |
| Total | 176,240 | 265,227 | 345,040 | 39,382 | 63,216 | 81,158 | 3,739 | 4,257 | 9,772 | 219,361 | 332,700 | 435,970 |
| Average unit value (dollars): | | | | | | | | | | | | |
| Italy | | 2.78 | | | 1.17 | | | 1.93 | | | 2.65 | |
| Japan | | 2.38 | | | .71 | | | .29 | | | .72 | |
| Spain | | 3.40 | | | 1.05 | | | .53 | | | 3.34 | |
| Taiwan | | 1.77 | (2) | | .51 | | | .71 | (2) | | .51 | |
| All other | | 3.80 | | | .85 | | | 1.63 | | | 3.09 | |
| Total | | 3.07 | | | .70 | | | .81 | | | 1.83 | |

[1] Zoris, thonged sandals of rubber or plastics, are excluded.
[2] Small imports included in "all other" and "total."

Source: Official statistics of the U.S. Department of Commerce as assembled by the U.S. Tariff Commission.

TABLE VIII.—SEPARATION OF SANDAL IMPORTS FROM TOTAL IMPORTS OF LEATHER FOOTWEAR FROM ITALY, 1965 TO 1969

| | 1965 | 1966 | 1967 | 1968 | 1969 |
|---|---|---|---|---|---|
| Quantity (1,000 pair): | | | | | |
| Total Italian exports to United States (leather footwear) | 19,915 | 29,330 | 39,550 | [1] 54,451 | [1] 56,991 |
| Less sandals | 16,683 | 21,336 | 27,749 | [2] 35,000 | [2] 35,000 |
| Regular footwear | 3,232 | 7,994 | 11,801 | 19,451 | 21,991 |
| Sandal percent of total | 83.8 | 72.7 | 70.2 | 64.3 | 61.4 |
| Value ($1,000 United States): | | | | | |
| Total Italian exports to United States (leather footwear) | 39,499 | 68,426 | 99,244 | [1] 151,274 | [1] 190,301 |
| Less sandals | 24,730 | 32,676 | 45,385 | [3] 61,400 | [3] 61,400 |
| Regular footwear | 14,769 | 35,750 | 53,859 | 89,874 | 128,901 |
| Sandal percent of total | 62.6 | 47.8 | 45.7 | 40.6 | 32.3 |
| Average foreign unit values (dollars): | | | | | |
| Sandals | 1.48 | 1.53 | 1.64 | 1.75 | 1.76 |
| Regular shoes | 4.57 | 4.47 | 4.56 | 4.62 | 5.85 |
| Average unit value (f.o.b. plants) of U.S. producers' shipments (no sandals) | 3.99 | 4.31 | 4.58 | 4.72 | 4.99 |

[1] Official statistics of the U.S. Department of Commerce on U.S. imports for consumption.
[2] U.S. Tariff Commission estimate.
[3] Estimate based on unit values of exports from Italy, January-May 1969.

Source: Statistica Mensile del Commercio con L'Estero (Italy), except as indicated.

TABLE IX.—ITALIAN SHOES AND SANDALS OF LEATHER FOR MEN AND WOMEN: AVERAGE FOREIGN VALUES AND AVERAGE U.S. LANDED, DUTY-PAID VALUES OF EXPORTS FROM ITALY TO THE UNITED STATES, JANUARY-SEPTEMBER 1969

| | Pairs | Foreign value | Average foreign unit value | Average importation cost [1] | Average U.S. landed, duty-paid value [2] |
|---|---|---|---|---|---|
| Shoes, men | 5,390,497 | $32,695,555 | $6.07 | $1.27 | $7.34 |
| Shoes, women | 13,730,066 | 65,920,646 | 4.80 | 1.01 | 5.81 |
| Total shoes | 19,120,563 | 98,616,201 | 5.16 | 1.08 | 6.24 |
| Sandals, men | 1,967,379 | 3,742,713 | 1.90 | .40 | 2.30 |
| Sandals, women | 20,193,793 | 35,282,397 | 1.75 | .37 | 2.12 |
| Total sandals | 22,161,172 | 39,025,110 | 1.76 | .37 | 2.13 |

[1] Includes the following average unit costs, expressed as percentages of average foreign value per unit: U.S. import duties, 14 percent; shipping and handling costs, 5 percent; and calculated cost of pilferage losses, 2 percent.
[2] Average foreign unit value plus average importation costs enumerated above.

Note: Average value of U.S. producers' shipments on shoes (f.o.b. plant): $4.99. Few, if any, leather sandals are made in the United States.

Source: Italian statistics on exports to the United States. Importation costs based on U.S. import duties and importers' estimates of the other cost elements.

TABLE X.—EXPORTS OF LEATHER FOOTWEAR FROM ITALY, FIRST 6 MONTHS 1968-69, BY COUNTRY OF DESTINATION, IN PAIRS AND VALUE

| Country of destination | Pairs | | Value (in thousands) | |
|---|---|---|---|---|
| | 1968 | 1969 | 1968 | 1969 |
| United States of America | 31,427,751 | 33,925,935 | $78,592 | $98,642 |
| West Germany | 18,973,860 | 24,832,209 | 48,248 | 62,285 |
| France | 4,657,344 | 9,667,276 | 16,190 | 28,414 |
| Belgium-Luxembourg | 3,545,741 | 5,293,495 | 9,568 | 14,177 |
| Netherlands | 2,905,767 | 3,907,124 | 8,028 | 10,730 |
| Sweden | 3,124,216 | 3,868,691 | 8,943 | 10,559 |
| Switzerland | 1,640,683 | 2,320,816 | 6,245 | 8,481 |
| Great Britain | 2,127,166 | 2,621,220 | 6,747 | 7,828 |
| Canada | 1,803,977 | 2,121,156 | 5,160 | 6,333 |
| U.S.S.R | 402,866 | 757,918 | 1,869 | 3,668 |
| Denmark | 1,018,449 | 1,232,944 | 2,973 | 3,356 |
| Austria | 874,457 | 1,284,616 | 2,653 | 1,134 |
| Yugoslavia | 510,015 | 1,121,796 | 923 | 2,457 |
| Norway | 411,018 | 578,868 | 1,535 | 1,964 |
| Australia | 446,452 | 554,241 | 1,350 | 1,767 |
| Libya | 566,508 | 878,315 | 1,142 | 1,659 |
| Finland | 123,392 | 219,192 | 542 | 772 |
| Japan | 33,065 | 70,091 | 309 | 642 |
| Republic of South Africa | 31,271 | 88,289 | 196 | 560 |
| Israel | 41,509 | 105,941 | 218 | 520 |
| Kuwait | 95,984 | 134,750 | 220 | 302 |
| Malta | 90,479 | 157,524 | 201 | 289 |
| Czechoslovakia | 15,630 | 53,895 | 99 | 262 |
| Hong Kong | 39,249 | 40,386 | 225 | 230 |
| Ireland | 30,855 | 32,251 | 196 | 223 |
| Zambia | 28,743 | 67,244 | 76 | 173 |
| Cameroon | | 63,481 | | 134 |
| British Honduras | 29,837 | 35,629 | 85 | 128 |
| Gold Coast | | 16,750 | | 100 |
| Saudi Arabia | 46,053 | 36,563 | 148 | 98 |
| Republic of Panama | 30,844 | 23,092 | 116 | 97 |
| Congo | 25,872 | 25,506 | 100 | 90 |
| Spain | | 17,688 | | 71 |
| Curacao | | 23,850 | | 69 |
| New Zealand | 7,724 | 7,747 | 54 | 68 |
| Trinidad and Tobago | | 23,805 | | 65 |
| Iceland | 22,103 | 17,302 | 75 | 64 |
| Lebanon | | 13,610 | | 63 |
| Greece | | 13,021 | | 60 |
| Kenya | 16,693 | 15,629 | 50 | 54 |
| New Caledonia | | 11,997 | | 44 |
| East Germany | | 2,401 | | 16 |
| Other countries | 436,621 | 240,227 | 1,265 | 734 |
| Total | 75,582,194 | 96,524,481 | 204,341 | 271,271 |

Source: Associazione Nazionale Calzaturifici Italiani, Milano.

Mr. BURKE. I think you are right as far as the raising of the living standards in Italy are concerned. I don't think that there are real problems in textiles and shoes coming from Italy.

They do in many cases where there are American investors who have taken all the technological equipment and everything over there and started manufacturing plants and send people over there to open up shoe factories and investing all of their money over there.

Why do you think they did that instead of investing their money in America as many of the shoe firms have done in America?

Do you think it is wages or do you think it is because of the great creation of styles?

Mr. LUFT. Creation of style, fashion.

Mr. BURKE. We had a fellow that represented shoe people up in New York City. He was here in Washington a few weeks ago. He said that creation of styles in Italy is a fallacy, that most of the styles are created in New York and they just transport them over to Italy and they do the manufacturing for them over there.

Mr. LUFT. You are asking for an answer?

Mr. BURKE. Would you say we have nobody in New York City that is able to create any styles in shoes?

Mr. LUFT. Yes, we have.

Mr. BURKE. Do you know of any that are up there that are creating styles, particularly in women's shoes, and that those creations are sent over to Italy?

Mr. LUFT. Sent over to Italy?

Mr. BURKE. Yes; created here in New York. You don't know of any?

Mr. LUFT. No. I don't know of any; American styles that are sent to Italy?

Mr. BURKE. Styles created and designed here in America, not manufactured in America, not made in America, but the creation itself, created by New York people, and those styles are sent over there to Italy to be produced?

Mr. LUFT. I don't know of any, sir.

Mr. BURKE. You don't know of any?

Mr. LUFT. Not any.

Mr. BURKE. How close are you to the industry?

Mr. LUFT. Fairly close I think. It is my living. I am, I think, close to it.

Mr. BURKE. You don't wear blinders at any time, do you?

Mr. LUFT. No, not really.

Mr. BURKE. Are there any further questions?

We thank you for your testimony here.

(The following comments, concerning the 10 tables inserted throughout the testimony of the Italy-America Chamber of Commerce, were received by the committee:)

## LEATHER FOOTWEAR: FACTS AND FIGURES ON THE U.S. INDUSTRY AND IMPORTS FROM ITALY

### A. THE DOMESTIC INDUSTRY

1. In 1969, most of the large U.S. shoe companies, accounting for the bulk of domestic production, enjoy continuing *increased sales, high net income,* and *improved per share earnings* in compariosn to their 1968 banner year, as determined by a Standard & Poor's survey published March 12, 1970 (see Table I).

2. 1969 operating profit margins of most large U.S. shoe companies are on the same level with those in the late 1950's when imports were insignificant, with the mid-1960's margins, and near the margins of the 1968 record year* (see Table II).

3. Profit experience data 1968/69 of the major U.S. footwear companies, computed from annual reports published in Moody's Industrials (see Table III) support the fact that although average profits decreased from the all-time high of 7.3% in 1968 to 6.1% in 1969 (largely due to overproduction and high inventories in 1968), profits of major companies continue at a high level in comparison to the footwear manufacturers' profit ratios determined for 1963–67 by the U.S. Tariff Commission (see Table IV).

4. Proft ratios of major domestic footwear companies are above those for all leather and leather products companies (see Table IV). Moreover, profit ratios in the leather and leather products industry (about half of which is footwear) which had dropped in early 1969 after the high 1968 year, increase again to the 1966–67 level of about 5.5% in the last quarter of 1969 (see Table V).

5. Average hourly earnings of production workers in the domestic leather footwear industry have grown constantly from $1.82 in 1965 to $2.41 in January 1970

*"In 1968 the women's [shoe] industry experienced a fashion revolution . . ." and ". . . fashion changes stimulated 1968 domestic production . . .", according to the U.S. Industrial Outlook 1970 of the U.S. Department of Commerce.

(see Table VI). A moderate decline in number of production workers reflects industry recruiting problems as average weekly production hours per worker advanced over 1969.

6. Average values of domestic shipments (and with them retail prices) have grown constantly from an average unit value of $3.99 per pair in 1965 to $4.99 per pair in 1969 (data included in Table VIII).

7. The problems facing smaller U.S. companies are (a) lack of style innovation, and (b) competition from larger U.S. companies.

(a) "Department of Commerce figures indicate that shoe store sales in 1969 were about 8% larger than in 1968, while sales of shoe store chains recorded an impressive 15% advance. Higher prices accounted for part of these gains, as indicated by the 4.7% increase in the consumer price index for footwear and a 4.1% increases in the wholesale price index of the two most important categories, women's and men's shoes. Also responsible were increased expenditures for fashion-oriented footwear for men. However, the overall gains were dampened by lower demand in the all important women's fashionable footwear segment attributed to lack of strong style leadership." [from Standard & Poor's Industrial Surveys, Leather & Shoes, March 12, 1970].

(b) The competitive problems of smaller companies in this era of mergers and acquisitions are indicated by the substantial number of acquisitions by large companies, appearing in annual reports as set forth in Moody's Industrials.

B. IMPORTS FROM ITALY

1. Imports of shoes and sandals from Italy increased from about 23 million pairs in 1965 to approximately 57 million pairs in 1969 (Tables VII, VIII). The rate of increase has been leveling off substantially since 1968 and is expetced to stabilize, because Italy's exports to countries other than the United States are expanding, requiring a greater portion of Italian production.

2. U.S. footwear imports from Italy consist of high-priced shoes and non-competing sandals. Few sandals are made in the United States. When average unit value of Italian shoes are separated from those of sandals (see Table VIII), it becomes evident that the average foreign unit value of shoe imports from Italy is higher than the average unit value of domestically shipped shoes (1969: imports from Italy=$5.86 per pair; domestic=$4.99 per pair). *Landed* average uit values of Italian shoes are substantially higher than domestic average unit values (see Table IX).

3. Italy is the world fashion leader in footwear styles. Italy exports to well over 40 countries throughout the world (see Table X). Without style stimulus through unrestricted Italian fashion imports, the domestic industry cannot realize its potential as a fashion industry.

(The brief referred to follows:)

BRIEF ON BEHALF OF THE ITALY-AMERICA CHAMBER OF COMMERCE AND ITS FOOTWEAR IMPORTERS GROUP

INTRODUCTION

The present brief is submitted in support of the information and tables submitted by the Chamber to date, (see Appendix A hereto) and to provide additional background for the Committee's consideration.

The Italy-America Chamber of Commerce, Inc., is a membership corporation established in 1887 and presently chartered under the laws of the State of New York. It is composed of over 500 business corporations vitally interested in trade relations between the United States and Italy. A list of officers is attached as Appendix B. Members of the Chamber's Footwear Importers Group account for over 60% of all non-rubber shoes and sandals imported to the United States from Italy and form an integral part of the overall footwear industry in the United States. A list of the members of the Chamber's Footwear Importers Group is attached as Appendix C.

SUMMARY OF POSITION

It is the Chamber's position that imports of Italian fashion shoes and sandals benefit the United States footwear industry and market; that the domestic industry is a healthy industry, in no way adversely affected by such imports from Italy; and that restrictions on imports from Italy are unwarranted. There is no economic justification to impose unilateral quotas or to force so-called "volun-

tary" agreements with respect to the categories of footwear supplied by Italy: high-priced shoes and non-competitive sandals. Restrictions on imports of Italian footwear, a major export item for that country, must seriously affect the favorable balance of trade which the United States enjoys with Italy. Therefore, the Chamber strongly opposes quotas or restrictions on footwear imports from Italy in any form, and supports the principles underlying the President's proposed Trade Act of 1969, H.R. 14870.

*A. The domestic industry*

*1. Footwear is a fashion business.*—The American shoe industry must realize its full potential as a fashion industry. Uncontrovertible evidence from numerous sources attests to the fact that style and fashion are the primary factors motivating consumers to purchase more shoes today than a generation ago, when the standard shoe wardrobe consisted of two pairs, one black, one brown.

The Interagency Task Force on Nonrubber Footwear found:

THE STYLE REVOLUTION

Changing availabilities and changing consumer preferences for footwear, enhanced by rising incomes, also *culminated in a new area of greater emphasis upon fashion and styling.* Styles began to undergo, by previous standards, fairly revolutionary and often rapid changes....

One important result has been an increase in demand and the purchase of more shoes per person. Consumption of women's and misses' shoes rose in particular. Some trade estimates indicate, for example, that *if fashion were no longer a consideration in consumer buying, total U.S. consumption might be little more than half its present level....*

[Report of The Task Force on Nonrubber Footwear, June 1, 1970, p. 10.]

The Department of Commerce states:

"Styles Change Often."

During the past several years there has been rapid and continuing change in the styling of fashion footwear. *In 1968 the women's industry experienced a fashion revolution* with the introduction of heavier shoes with blunter toes and heavier and higher heels, using highly antiques "wet look" leathers and bold shoe ornaments such as buckles. Rounder toes in men's shoes also achieved great acceptance that year.

These trends and the popularity of boots continued strong in 1969 in both imported and domestically-produced shoes. These fashion changes that stimulated 1968 domestic production apparently were not strong enough to bolster production in 1969. Some observers believe that the industry is ready for still another completely new fashion approach, which may be at hand in the high platform and wooden or cork clogs which are currently receiving growing acceptance in women's shoes.

[U.S. Industrial Outlook 1970, pp. 140–141. Emphasis supplied.]

Standard & Poor's states:

"Department of Commerce figures indicate that shoe store sales in 1969 were about 8% larger than in 1968, while sales of shoe store chains recorded an impressive 15% advance. Higher prices accounted for part of these gains, as indicated by the 4.7% increase in the consumer price index for footwear and a 4.1% increase in the wholesale price index of the two most important categories, women's and men's shoes. Also responsible were increased expenditures for fashion-oriented footwear for men. However, the overall gains were dampened by lower demand in *the all important women's fashionable footwear segment attributed to lack of strong style leadership.*"

[Standard & Poor's Industrial Surveys, Leather & Shoes, March 12, 1970. Emphasis supplied.]

The U.S. Tariff Commission referred repeatedly to the "importance of styling in footwear" in its reports of January and December 1969, and stated specifically:

"Consumer interest in spending part of their increased income on footwear has been stimulated by the growth in leisure-time activities, which create demand for footwear designed for special purposes, and *increasing emphasis on high-style footwear for men as well as for women.*"

[T.C. Publication 276, January 1969, p. 26. Emphasis supplied.]

These statements are confirmed by the footwear trade, its publications, and by every display window. Yet, with few exceptions (the moccasin loafer, the Hush-Puppy, certain work shoes), there is little or no style development by

the United States industry; rather, styles are copied or adapted primarily from Italian creations.

2. *The Major U.S. Footwear Industry Enjoys Continued Profits.*—In 1969, most of the large U.S. shoe companies, accounting for the bulk of domestic production, enjoyed continuing *increased sales, high net income,* and *improved per share earnings* in comparison to their 1968 banner year, as determined by Standard & Poor's survey published March 12, 1970:

U.S. SHOE PRODUCERS AND SHOE DISTRIBUTORS: STATISTICAL POSITION OF LEADING COMMON STOCKS

| | Sales | | Net income | | Earnings, dollars per share | |
|---|---|---|---|---|---|---|
| | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 |
| Craddock-Terry | 57.8 | 63.0 | 2.19 | 2.35 | 1.89 | 2.03 |
| Green Shoe Manufacturing | 43.5 | 43.4 | 3.49 | 2.78 | 2.44 | 1.93 |
| Weyenberg Shoe | 36.7 | 38.6 | 1.60 | 1.66 | 1.91 | 1.98 |
| Wolverine World W | 45.5 | 53.4 | 2.20 | 2.43 | .69 | .76 |
| Beck Industries | 81.0 | 128.5 | 2.19 | 2.62 | .51 | .57 |
| Brown Shoe | 102.5 | 101.7 | 5.53 | 3.88 | .82 | .57 |
| Endicott-Johnson | 110.1 | 119.5 | .80 | .85 | .71 | 1.28 |
| Genesco, Inc | 611.0 | 617.1 | 18.44 | 18.69 | 1.56 | 1.51 |
| Interco, Inc | 669.5 | 706.1 | 25.09 | 25.42 | 3.12 | 3.14 |
| Melville Shoe Corp | 293.0 | 362.5 | 16.23 | 19.05 | 2.89 | 3.26 |
| SCOA Industries | 195.6 | 192.6 | 1.54 | 2.26 | .46 | .67 |
| U.S. Shoe Corp | 65.6 | 67.6 | 3.18 | 2.87 | .52 | .45 |

Source: Standard & Poors (see table I, appendix A).

1969 operating profit margins of most large U.S. shoe companies are on the same level with those in the late 1950s when imports were insignificant, with the mid-1960s margins, and near the margins of the 1968 record year (see Table II, Appendix A).

Profit experience data 1968–69 of the major U.S. footwear companies, computed from annual reports published in Moody's Industrials (see Table III, Appendix A) support the fact that although average profits decreased from the all-time high of 7.3% in 1968 to 6.1% in 1969 (largely due to overproduction and high inventories in 1968), profits of major companies continue at a high level in comparison to the footwear manufacturers' profit ratios determined for 1963–67 by the U.S. Tariff Commission:

PROFIT EXPERIENCE OF U.S. NONRUBBER FOOTWEAR PRODUCERS, AND FOR U.S. PRODUCERS OF ALL LEATHER AND LEATHER PRODUCTS, SELECTED YEARS

| Item | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 |
|---|---|---|---|---|---|---|---|
| U.S. producers' sales (million dollars) | 2,412 | 2,629 | 2,803 | 3,161 | 3,301 | 3,209 | 3,534 |
| Net operating profit to sales ratio (percent) | 4.9 | 5.4 | 5.5 | 6.0 | 6.6 | 7.3 | 6.1 |
| All U.S. leather manufacturers' sales (million dollars) | | | | 5,913 | 6,181 | 6,273 | 6,434 |
| Net operating profit to sales ratio (percent) | | | | 5.4 | 5.3 | 6.2 | 4.9 |

Source: See table IV, app. A.

Profit ratios of major domestic footwear companies are above those for all leather and leather products companies (see Table IV). Moreover, profit ratios in the leather and leather products industry (about half of which is footwear) which had dropped in early 1969 after the high 1968 year, increased again to the 1966–67 level of about 5.5% in the last quarter of 1969 (see Table V, Appendix A).

The foregoing data on sales and profits of major producers, when contrasted with the poorer performance of inefficient smaller companies, and the numerous acquisitions and mergers in the industry, clearly show that one of the prime determinants with respect to profitability is pairage volume. High volume producers, many of whom operate their own distribution and retail systems, and who use modern management techniques, prosper, while low volume producers, often family firms without a distribution system of their own, find it difficult to compete with the efficient larger companies.

Much has been made of factory closings and company failures; it be alleged that imports are responsible. An analysis of available data on company failures does not support that allegation. The record compiled by the U.S. Tariff Commission shows the following:

FAILURES OF U.S. COMPANIES PRODUCING NONRUBBER FOOTWEAR AND THEIR LIABILITIES, SPECIFIED YEARS 1954–67

| Year | Failures (Number) | Liabilities (thousand dollars) |
|---|---|---|
| 1954 | 41 | 4,248 |
| 1958 | 41 | 9,617 |
| 1960 | 36 | 10,182 |
| 1961 | 25 | 2,319 |
| 1962 | 34 | 9,473 |
| 1963 | 29 | 8,775 |
| 1964 | 22 | 5,630 |
| 1965 | 13 | 3,727 |
| 1966 | 14 | 4,798 |
| 1967 | 9 | 3,107 |
| 1968 [1] | 11 | 3,253 |
| 1969 [1] | 10 | 3,203 |

[1] From "Report of the Task Force on Nonrubber Footwear, June 1, 1970, p. 91."

Note: [1954–67: See T.C. Pub. 276, Jan. 1969, p. 83]

Plant closings do not indicate the number of company failures as many plant closings follow mergers, acquisitions and relocations to the southern states of the United States and to Puerto Rico. The foregoing data demonstrate that failures and the liability amounts involved were highest in the late 50's and early 60's, at a time when there were no significant imports, and the failures decreased as imports grew. If an implication can be drawn from the company failure record as related to imports, it must be that imports have helped the U.S. industry, a circumstance also borne out by the stimulus of "fashion revolutions" provided by Italian styles.

The clearest example of the stimulation of the domestic industry by imports from Italy is presented in the sworn testimony of Bruce Nordstrom in the hearing before the U.S. Tariff Commission leading to the Commission's January 1969 report. Mr. Nordstrom, speaking for the major West Coast chain Nordstrom Best, with an average volume in shoes of $30 million per year, of which ⅔ are domestic and ⅓ imports, stated that demand for fashion items, when exceeding the volume of the original importation, results in orders for domestic manufacturers to supply a copy of the imported shoe, "thereby creating a domestic production for shipment of over 3,000 pairs of one type shoe, in one color! Significantly, witness Nordstrom also pointed out that the American-made "knock off" of the Italian-made original cost him $1 less and was sold to the consumer for $1 less. The witness also described other retail situations where the Italian-made high priced shoes caught on and were reproduced in this country. One example copies by the Wolverine Shoe Company sold at $5 less per pair, and in greater numbers, than the original import. The original shoe which was of purer design for high fashion sold a great number of pairs, but not anywhere near the number of pairs of the modified shoes copied therefrom and made in the United States specifically to American taste". (T.C. Investigation No. 332–56, Tr. p. 229).

3. *Wages in the U.S. Footwear Industry are at an All-Time High and the Industry Uses the Available Labor Force to the Maximum Possible Extent.*—The domestic industry maintains enmployment near the quarter million mark, including over 195,000 production workers (see Table VI, Appendix A), despite great difficulties in recruiting younger workers. Wages have risen steadily from $1.82 per hour in 1965 to $2.41 per hour in January 1970. Average weekly hours worked remain at a high of over 38 hours (1969: 36.9 hours), with overtime at a high of 2 hours per week reported in January 1970.

The domestic industry utilizes its available work force to the fullest extent possible. In fact, there is a critical worker shortage in the domestic industry.

Footwear News, the trade publication in the footwear field, reported labor shortages even in the traditional footwear producing areas of New England,

where widespread footwear job losses are alleged. It deserves to be pointed out that labor shortages are caused primarily by the footwear industry's difficulties in attracting young workers, who prefer to work in aero-space, electronic, and other "space age" industries. Average age of workers in the footwear industry has been found substantially above the average of all industries, and where a worker retires or leaves the footwear industry, he often cannot be replaced.

The high average age in the domestic footwear industry also has other effects. Where a footwear factory is relocated from a small "company town" to another area, older workers with their lower mobility due to family ties and long developed social preferences, are less likely to relocate. The same applies to cases of plant closings. Experienced workers might find employment elsewhere in the footwear industry, but cannot or will not seek such employment outside of their "home" geographic area. Younger workers apparently have a higher mobility, although it is, of course, burdensome and difficult to relocate and to retrain and adjust to different and often more sophisticated work in other industries. The Chamber believes that such specific problems, in the individual and limited geographic cases where they actually arise, present classic examples of the need for effective retraining and adjusment assistance, regardless of whether they are caused by competition between larger and smaller domestic enterprises, relocations due to mergers or acquisitions, or for other reasons.

*4. Changes in the Domestic Industry Keep It Competitive with Imports from Italy.*—As indicated by industrial surveys, the large-volume U.S. manufacturers (1 million pairs and over) supply the bulk of domestic production. One of the most significant facts brought out by the U.S. Tariff Commission in its two 1969 studies and in the Task Force Report of June 1, 1970 is the development of integrated manufacturing and distribution systems by major U.S. producers as a key element in modern industry operations. The proliferation of corporation-owned wholesale and retail structures, taking place at modern shopping centers and by leases of shoe retail facilities in department stores, supports the Tariff Commission's statements concerning the growing importance of integrated production and sales. Smaller companies often lack the scope, management, sophistication or resources to meaningfully avail themselves of the advantages and efficiencies of vertical integration.

Even more significant, however, is the finding by the Tariff Commission that 30% of footwear imports are purchased and marketed by American manufacturers. The plain fact is that U.S. producer-distributors use imports to complete their own lines, which demonstrates that the larger, efficient producer treats imports as supplementary and (certainly in the case of Italian imports) considers them as stimulative, rather than unfairly competitive.

The U.S. footwear industry as a whole shares the trend toward bigger and more efficient operations, evident in many American industries. In fact, while "family companies" complain about plant closures larger companies are reported to open several plants in addition to relocation of production facilities.

As a highly labor-intensive industry, U.S. footwear producers are acutely aware of advantages available in the labor market of the Southern United States and in Puerto Rico. Most relocations and new plant openings occur there. In particular, the substantial production in Puerto Rico of pairs of non-rubber footwear annually, which was developed in the past decade by U.S. mainland companies, is important to note, along with the fact that this production is *not* included in the U.S. production statistics by the Department of Commerce. Average unit values of Puerto Rican nonrubber footwear production at $3.69 per pair are substantially below average unit values of mainland production of $4.99 per pair and far below average unit values of shoe imports from Italy of $5.86 per pair (see Table VIII, Appendix A).

These facts demonstrate that the shift of a part of domestic production to parts of the United States where labor is in more plentiful supply than in New England can and do have a substantial effect on the overall competitive situation. Yet these facts are conveniently overlooked by the protagonists of a protectionist policy.

If Puerto Rico is excluded from consideration, as domestic industry presentations would have it, it appears upon comparison of footwear industry wage rates with rates in other leather industries that American shoe workers at $2.41 per hour have substantially higher earnings than other leather workers averaging $2.30 per hour, and, of course, footwear wage rates are substantially above current minimum legal wage levels of $1.60 for the U.S. mainland. Notwithstanding the high wage level in the footwear industry, profit ratios are above those

of all leather industries (see Table IV, Appendix A, and p. 6 *supra*). In fact, the historic performance of footwear and leather industries profit ratios, when compared on a quarter-by-quarter basis for the past several years, clearly indicates that footwear has led all leather industries out of a relative profit ratio decline; the recent upward trend clearly resulting from fashion "revolutions".

*B. Imports from Italy*

*1. Italy's Imports of Fashion Shoes and Sandals Help Rather Than Harm the Domestic Industry.*—Imports of shoes and sandals from Italy increased from about 23 million pairs in 1965 to approximately 57 million pairs in 1969 (Tables VII and VIII). The rate of increase has been leveling off substantially since 1968 and is expected to stabilize, because Italy's exports to countries other than the United States are expanding, requiring a greater portion of Italian production.

Italy is the world leader in footwear styles. The records of all investigations of the footwear situation are replete with references to the influence and importance of Italian fashions and designs in stimulating domestic footwear production.

It has recently been alleged by the domestic industry spokesmen that Italian styles are based on designs created in the United States. The facts and records of fashion creation simply do not support this allegation. On the contrary, the record of Italian footwear exports to over 40 countries throughout the world clearly proves the pre-eminence of Italian design (see Table X, Appendix A). This is not to say that there are not distinctive American designs which are gaining growing acceptance in domestic and foreign markets, e.g., the Hush-Puppy; this indicates that there is a fashion potential, albeit largely dormant, within the U.S. industry; but to claim that Italian fashions are really American creations is an utter misstatement of facts. As has been pointed out, imports from Italy give rise to both "knock-off" copying (*supra*, p. 9) as well as to the breakthrough of entire style changes, vital to new and increased purchases of domestic shoes.

*2. Footwear from Italy Consists of High Quality, High Price Shoes and Non-Competitive Sandals.*—Imports of Italian leather shoes and sandals must be considered separately to allow a true assessment of the relationship of imports from Italy to domestically produced footwear. This is particularly important since the broad-brush approach of data compiled by the U.S. Department of Commerce would suggest that Italian footwear is of a low average unit value category. A more detailed analysis shows the exact opposite.

The Tariff Commission has determined that few sandals are made in the United States. (T.C. Publication 307, December 1969, page 10). This determination is also supported by the Interagency Task Force Report of June 1, 1970. U.S. manufacturers find it more profitable to manufacture shoes. Moreover, sandals do not compete directly with leather shoes.

When deducting Italian sandal imports, which comprise over 60% of all Italian footwear imports, from total pairage data, the results show that *average unit values of Italian shoes are substantially higher than the average value of domestically* shipped shoes. Thus the average value of domestic shoes in 1969 was $4.99 compared to an average foreign unit value of Italian shoes in the same year of $5.86; the average landed duty-paid value is even higher at $6.24 per pair (see Table IX Appendix A).

This conclusively shows that imports of shoes from Italy are not unfairly competing with domestic products.

*3. Italy is a High-Wage Country.*—During the recent hearing before the Committee, repeated references were made by spokesmen for domestic industry to low wages in foreign countries, and hourly rates of between 20 cents and 50 cents or even less were cited. The intended or inadvertent inclusion of Italy in any such allegation is unfounded and misleading. Based on information for 1969 received by the Chamber from Italian sources, average earnings at that time amounted to $1.99 per hour in the Italian footwear industry. The direct wage portion thereof was $1.06. It is most important to stress, however, that Italy is one of the countries with the highest social and fringe benefits in the world, including maternity and other medical and dental benefits, vacation, housing, extensive security, and numerous other benefits, which add more than 90% to basic wage rates. Recently, there have been additional increases in direct wages and benefits, estimated as adding at least 12% to 15%, so that wage rates now approach those in the United States; indeed, with further increases apparently imminent, Italian rates may soon reach U.S. rates. The reliability of the above

information is indicated by the high average unit costs of imported Italian shoes, which reflect the high Italian wages and the relatively lower unit output per man-hour in Italy than that in the United States.

*4. Mark-up Practices Regarding Imports Do Not Differ From Those For Domestic Products.*—The allegation has also been made that imports allow a higher mark-up at retail, and that they therefore compete unfairly with imports. The breakdown of high average unit values of Italian shoes as compared to domestic shoes serve to mark these allegations as without basis and misleading. However, reference is made to the testimony of distributor witnesses, selling both domestic and imported footwear, to the effect that mark-up practices are uniform for shoes from both sources.

CONCLUSION

Footwear imports from Italy are in the high fashion, high quality, high price shoe and noncompetitive sandal categories, and increases in imports which occurred during recent years are leveling off. Such imports pose no threat but provide a much-needed stimulus to domestic industry. Therefore, artificial restrictions as proposed in H.R. 16920 are not only unwarranted but potentially disastrous both to the United States industry and to international trade in general.

The results of the study reported by the Inter-Agency Task Force on Non-Rubber Footwear under date of June 1, 1970 (released June 24, 1970) points to the same conclusions.

To the extent that small and inefficient U.S. companies should be aided, the President's Trade Act of 1969 (H.R. 14870) is much better suited to assist the U.S. footwear industry while advancing American trade interests in the world.

For the foregoing reasons, the Italy-America Chamber of Commerce, Inc. strongly opposes the quota proposals contained in H.R. 16920 and supports the President's Trade Act of 1969 (H.R. 14870).

Respectfully submitted,

BARNES, RICHARDSON & COLBURN.

James H. Lundquist; Gunter von Conrad, Of Counsel.

JUNE 26, 1970.

## APPENDIX A

See tables I–X appearing throughout oral testimony.

## APPENDIX B

ITALY-AMERICA CHAMBER OF COMMERCE, INC.

BOARD OF DIRECTORS—1969–70

President, Admiral Johm M. Will: American Import Isbrandtsen Lines.
First Vice President, Donald St. John Sozzi; The Jos. Garneau Co.
Second Vice President, Raoul Ferreri; U.S. Rep. Finsider.
Treasurer, Peter G. Treves; Italian Publications, Inc.
Secretary, Howard Glick; Marx & Newman Co., Inc.

DIRECTORS

Leon Atkind, Colfax Industries.
Franco Baldini, Gerard V. Bonomo, Schiavone-Bonomo Corp.
Ralph Bonomo, Republic Commercial Corp.
George Bragalini, Manufacturers Hanover Trust Co.
Marco Buitoni, Buitoni Foods Corp.
Nicholas De Luca, Pino L. De Luca, Inc.
Thomas De Rosa, Pope Food Products.
Patrick A. d'Onofrio, Sterling Nat'l Bank & Trust Co.
Guido M. Garbarino, Westinghouse Elec. Int'l Co.
Theodoro Gommi.
Stephen C. Hanson, Sears Roebuck & Co.
Edward Laraja, S. A. Laraja & Sons, Inc.
Robert Lowy, Ferro Union Corp.
Pier Carlo Marengo, Credito Italiano.

Claude Merrell, National Lead Co.
David Pasmantier, Pasmantier Co.
Harold Potchtar, Toscany Imports, Ltd.
Richard Roper, Anaconda Sales Co.
Executive Secretary, Arthur A. De Santis.

## APPENDIX C

### ITALY-AMERICA CHAMBER OF COMMERCE, INC.

#### FOOTWEAR IMPORTERS COMMITTEE

Howard Glick, Chairman, Marx & Newman Co., Inc., 350 Fifth Avenue, New York, N.Y. 10001. LO 3-1200.

Cy Tetenman, Amerex Trading Corp., 417 Fifth Ave., New York, N.Y. 10016. 679-3300. (M-W-C)

B. Posner, Atkinson Shoe Corp., 145 Lincoln St., Boston, Mass. 02111. (617) LI 2-9771. (M-W)

Joseph Scapa, Bellini of Italy, 19 W. 34th St., New York, N.Y. 10001. WI 7-8579. (M-W-C).

Ezio Bressan, Bressan Footwear Co., 1548 So. Linden Ave., Alliance, Ohio 44601. (216) 821-3942. (W)

E. A. Deitz, David Brown Shoe Co., Inc., 6325 Erdman Ave., Baltimore, Md. 21205. (301) PL 2-5447. (M)

Nick Stern, Caribbean Shoe Corp., 255 S.W. 8th St., Miami, Fla. 33101. (305) 377-2754. (M-W-C)

Virgil L. Hartmann, Futura Shoe Corp., 1318 Ashby Road, Olivette, Mo. 63132. (314) 997-6630.

Sy Schantz, Dilesco, Inc., 368 Congress St., Boston, Mass. 02210. (617) 426-0300. (C)

Lawrence B. Wilson, Famolare, Inc., 745 Fifth Ave., New York, N.Y. 10022. 593-1471. (W-C)

Enrico di Girolamo, Apollo Shoe, Inc., 432 Park Ave. So., New York, N.Y. 10016. 889-5250. (M-W-C)

Enzo de Chiara, Gucci Shops, Inc., 699 Fifth Ave., New York, N.Y. 10022. 753-0758. (M)

E. Dick Schwartz, Ferragamo Shoe Salon, 424 Park Ave., New York, N.Y. 10022. PL 1-2520. (W)

Milton Nussbaum, Fredelle Footwear Ltd., 1681 79th St. Causeway, Miami Beach, Fla. 33141. (305) UN 5-7454. (W)

Ralph Dover, Genesco, Inc., Genesco Park, Nashville, Tenn. 37302. (615) 747-7345. (M-W-C)

Milton Evans, Co-Chairman, Beck Industries, Inc., 25 W. 43rd St., New York, N.Y. 10036. WI 7-6600.

Philip E. Green, 567 Pleasant St., Brockton, Mass. 02401. (617) JU 6-6442. (M)

Fred R. Baff, Italia Bootwear, Ltd., 47 W. 34th St., New York, N.Y. 10001 OX 5-7267. (M)

Victor Tarica, Jimlar Corp., 47 W. 34th St., New York. 10001 PE 6-6323 (M-W-C)

Emery Lang, E. & M. Lang Co., Inc., 350 Fifth Ave., New York, N.Y. 10001 947-8715 (M)

Arthur M. Leopold, Arthur M. Leopold, Inc., Box 412, Fort Lee, N.J. 07024 WI 7-0770. (M)

Willard Luft, Lujan, Inc., 55 E. 34th St., New York, N.Y. 10016 MU 5-7782. (M-W-C)

Dino Sonnino, Bernardo Sandals, Inc., 17 E. 22nd St., New York, N.Y. 10010. GR 3-1516. (W)

Howard Levine, Mid-Atlantic Footwear Corp., 47 W. 34th St., New York, N.Y. 10001. 279-2184. (W)

Leon M. Katz, D. Myers & Sons, Inc., Sherwood & Curtain Aves., Baltimore, Md. 21218. (301) 235-7500. )M-W-C)

J. B. Nadler, Pari-Rosa Footwear, Ltd. 350 Fifth Avenue, New York, N.Y. 10001. PE 6-6256. (M-W-C)

N. B. Rosenberg, B. Rosenberg & Sons, Inc., 215 Decatur St., New Orleans, La. 70116. (504) 524-0737. (M-W-C)

M. Finkel, S.C.A. International, Inc., 47 W. 34th St., New York, N.Y. 10001 LO 3-0027. (M-W-C)

Sumner L. Shir, Benj. Shir, Inc., 175 Lincoln St., Boston, Mass. 02111. (617) LI 2-0432. (M-W-C-)
Robert S. Green, Verde Shoe Co., Stoughton, Mass. 02072. (617) 344-7110.
Gary Fox, Volpe Shoe Co., 4th & Noble Sts., Philadelphia, Pa. 19123. (215) WA 5-1100. (M)
Angelo Perupini, Bracci & Perugini Co., 350 Fifth Ave. (Room 7104), New York, N.Y. 10001. 947-8672. (M)
W. Blumenthal, Fuchs Bros. Sales Corp., 47 W. 34th St., New York, N.Y. 10001. WI 7-4680. (M)
B. Kaplan, Engelman Industries Inc., 375 Fifth Ave., New York, N.Y. 10016 686-0338. (W)

Mr. BURKE. Our next witness is Mr. Milo G. Coerper, Washington counsel, German-American Chamber of Commerce, Inc. We welcome you to the committee.

## STATEMENT OF MILO G. COERPER, WASHINGTON COUNSEL, GERMAN-AMERICAN CHAMBER OF COMMERCE, INC.

Mr. COERPER. Mr. Chairman, distinguished members of the Committee on Ways and Means, my name is Milo G. Coerper. I am a partner of the law firm of Coudert Brothers and am the Washington counsel for the German-American Chamber of Commerce.

I am making this statement on your invitation, on behalf of the chamber. The chamber was incorporated in the State of New York in 1947. It is registered under the Foreign Agents' Registration Act because it receives some of its financial support from abroad. It is a binational organization of 934 members, consisting of 460 U.S. members and 474 German members, thus representing businessmen from the two largest trading nations in the world. One of its primary concerns is the fostering of two-way trade between the United States and Germany. Its members are as interested in exports from the United States to Germany as they are in exports from Germany to the United States.

The chamber generally supports the administration's trade bill, H.R. 14870, and the administration's related request that the Congress join in the task ahead of dealing with nontariff trade barriers, initially, through a declaration of congressional intent in this area.

The chamber particularly supports Ambassador Gilbert in his testimony before you of last week, wherein he states that an essential first step in the direction of a sustained and serious effort to reduce nontariff barriers to trade is the elimination of the American Selling Price Systems of Customs Valuation.

Certainly the 170 percent duty on a specific chemical product is an anachronism in today's world trading community. This kind of a duty does not merely change the real rules of the game of free trade; rather, it makes the whole game of trade in that particular product impossible. In addition, it feeds ammunition to protectionists in other countries who would like to see fewer Americans' products arriving on their shores.

The chamber would also like to point out that such elimination will bring the U.S. Valuation System more in harmony with the internationally accepted Brussels system.

In this connection the chamber calls the attention of this committee to the study conducted by the U.S. Tariff Commission in 1966 for the Senate Finance Committee on the methods of valuation used by

the United States and its principal trading partners. The recommendations of that study have never been released by the Senate Finance Committee. It is respectfully submitted that those recommendations may very well be valuable to this committee in its present deliberations.

During the hearings held by the Tariff Commission there were strong expressions of the desirability of eliminating, not only the American selling price system, but also the so-called final list method of valuation, and it will be recalled that the final list was the price paid to pass customs Simplification Act of 1956. It retains for a small number of imports a system of valuation which has been generally eliminated as being difficult to administer and particularly burdensome on importers. The chamber recommends that this committee take another look at the final list with a view to eliminating it, again to enable the U.S. valuation system to more closely harmonize with the Brussels system. If such elimination had any significantly adverse effect upon a domestic industry the President could be authorized to proclaim such increases in duty on individual items as may be found necessary to correct any such adverse effect.

It is appropriate for the chamber to make clear at this point that it favors the elimination of nontariff trade barriers, not only in the United States, but also in Germany and third countries. It should be noted that in at least one list of such barriers proposed by the United States, Germany appears to have the fewest nontariff barriers. (See Congressional Record, March 7, 1968, p. S2412 et seq.)

We agree with the statement of Secretary Stans and his excellent presentation of the facts to this committee regarding the textile problem, but the chamber sees a very real danger in any quota system, be it by legislation, by multilateral or bilateral voluntary agreements. In the view of West Germany industry, a multilateral conference on the pros and cons of an international agreement should be held. This view is not based on self-interest, as Germany does not export substantial amounts of textiles to the United States, but rather on sound principles of international trade policy.

The chamber would like to comment very briefly on the concern expressed in some U.S. circles as regards the special preferences given by some of the EEC countries to the so-called "associated countries" mostly in the Mediterranean area. The chamber believes that the United States should look at those agreements more as a means to contributing to the stability and security of these areas than as being prompted by a desire for narrow economic gain. Clearly, there is very little profit to the EEC countries. They are giving more than they get in return. But they sincerely feel there are overriding political considerations for their economic assistance in the form of preferences to this area.

Now a few comments as to German-American trade. During the last two decades, 1950–70, this two-way trade has increased tenfold, reaching a cumulative volume of $48 billion. This impressive statistic is strong evidence for the proposition that, notwithstanding proper and genuine concerns on both sides of the Atlantic as to nontariff barriers, trade has and will nevertheless increase between two dynamic and innovative economies to the advantages of both.

In 1969, U.S. exports to Germany rose 23 percent over the previous year, while German imports to the United States showed a decrease

of 3.7 percent from the end of 1968 to the end of 1969. These dramatic changes in favor of the U.S. balance of trade resulted from the growing need of Germany's economy for both primary commodities and manufacturers and also from the revaluation of the deutsche mark in 1969. Thus, the German Government's unilateral action in the revaluation of the deutsche mark was clearly an indirect benefit to the U.S. economy and will continue to be so.

German business and industry have always endeavored to maintain cordial economic relations vis-a-vis the United States and continued to do so. However, of late they have noticed a hardening of economic policies in the relations between the United States and the EEC.

They deplore this state of affairs and hope that such tensions can be removed before they pose a serious threat to Atlantic relations.

The chamber welcomes and approves a proposal by the representatives of German industry to set up a permanent contract committee between the United States and the community for the purpose of holding regular consultations on all questions of common interest and of drawing up recommendations. Such a committee would be an essential contribution toward better mutual information and could thus prevent critical trade problems from becoming hard political questions.

Thank you, Mr. Chairman, for giving the German-American Chamber of Commerce this opportunity to be heard.

Mr. BURKE. Thank you for your testimony.

Are there any questions?

Mr. ULLMAN. Mr. Chairman?

Mr. BURKE. Mr. Ullman.

Mr. ULLMAN. I commend you for a very consistent and thoughtful paper. I want to say that a lot of us share your concern about the future relationship between the European Community and the United States.

There has been increasing uneasiness here because of the actions of the market in their nontariff barriers, particularly in the agricultural sector and because, as you mentioned, of their new contracts with the southern community countries.

I see that you favor the establishment of some kind of a joint council to discuss these problems. But discussion is not enough.

Do you see any possibility of a shift in the direction of Common Market policy with respect to these barriers?

Mr. COERPER. It is my understanding that there are constant discussions going on in Geneva regarding these nontariff barriers and it is certainly the chamber's position that these barriers in Europe as well as in the United States should be put on the table and negotiated.

Mr. ULLMAN. I would agree with that. But we have never been able to get that accomplished. The Common Market would not agree with that, would they?

Mr. COERPER. I would think that they would certainly agree to looking at all of these barriers. As you know, for the first time now, all of the countries have prepared lists of such barriers.

This is one thing we did not have before. Now that we know what each country considers the other country's barriers, I feel that they will have to face up to negotiating on these barriers.

Mr. ULLMAN. It does give us cause for concern. We appreciate the shift in policy with Germany. I think that has been a good offsetting factor to some of the things that are going on with respect to other countries.

Of course, that as you have indicated, is certainly tied to the revaluation of the deutsche mark, I don't know what the statistics are as of the beginning of this year. Do you have those trade statistics?

Mr. COERPER. I do have some for Germany-American trade for the first 3 months which have just been released: U.S. exports to Germany, $743.9 million.

German imports to the United States, $685.2 million. So there is a favorable balance of trade to the United States of approximately $60 million in the first 3 months.

Mr. BURKE. Would the gentleman yield?

Mr. ULLMAN. Yes.

Mr. BURKE What is included in those exports? Is there military assistance or economic aid like that in there?

Mr. COERPER. I don't believe so.

Mr. ULLMAN. Is there anything in there paid for by the American taxpayer?

Mr. COERPER. I would have to check that out. If there is, I think it is minimal, between Germany and American trade. There is very little German-American trade that involves tied exports, very little.

Mr. ULLMAN. In other words, it is entirely from the private sector?

Mr. COERPER. Yes, sir, predominantly so. Commerical private trade.

Mr. ULLMAN. Thank you.

These figures you gave me, what kind of evaluation do you have? Is this in both instances at the American shoreline or how are you evaluating the imports on what basis, and of course obviously the exports are valued here at our shoreline.

What valuation are you putting on the imports?

Mr. COERPER. I will have to check for you and will be very happy to give you the basis of the valuation of these figures. As you know, these figures can be changed slightly, based on the method of valuation.

(For the information requested see p. 1676.)

Mr. ULLMAN. Our Government lists imports based upon their foreign valuation. I think it is a very improper method of valuation. The correct impact upon our economy with respect to balance of payments should be valuation of imports at our shoreline just as we value our exports. It is my understanding that foreign governments in computing their balance of trade picture do it in that way or their countries.

I would be interested and I would hope you would supply for the record this information.

Do you have the information on the Common Market as a whole?

Mr. COERPER. I don't, as of this time, but I think we could get such figures for you for the first quarter of 1970.

Mr. ULLMAN. I would like to have those. If you could give them to us it would be very helpful.

Do you have the Common Market figures as of last year?

Mr. COERPER. I don't have those with me. But again, I can give those to you in a letter which will set forth last year's Common Market and this first quarter for German-American trade and also with the EEC.

Mr. ULLMAN. I think it is very essential that we do come to a better understanding with the Common Market. I have always supported it. I think this country has always supported it. The testimony during these hearings, our Government testified on behalf of a stronger Common Market community and as a mater of fact, on the admission of the expansion of it to include the United Kingdom, which in my judgment, presents some real problems with respect to the U.S. trade.

But a lot of us have some real concerns about which direction the Common Market is taking, and whether, in fact, it is building up more walls than tearing down walls. Any clarification we could get from the Common Market in this regard would certainly set at ease some of the fears that we have.

Mr. COERPER. Yes, sir.

(The information referred to follows:)

The import statistics presented in our testimony are from U.S. Department of Commerce sources and accordingly are f.o.b. statistics, that is, the value at the border point of exportation. This includes inland freight insurance and other charges to the port of exportation, but does not include ocean freight, shipping insurance, etc., to the port of destination.

As you know, many other countries, including Germany, keep their statistics based on c.i.f., namely, the value at the port of destination, which does include ocean freight, shipping insurance, etc. As a result, official U.S. figures on exports to Germany (f.o.b.), for example, are lower than similar figures quoted in German statistics (c.i.f.). Department of Commerce f.o.b. statistics for U.S. trade with the EEC countries for the calendar year 1969 are as follows:

| | |
|---|---|
| U.S. imports | $5,800,000,000 |
| U.S. exports | 6,875,000,000 |

Similar figures for the first quarter of 1970 are:

| | |
|---|---|
| U.S. imports | $1,525,000,000 |
| U.S. exports | 2,036,000,000 |

The tariff rate on Volkswagens imported into the United States is a rate of 4.5 per cent *ad valorem*.

Mr. BURKE. Mr. Gibbons?

Mr. GIBBONS. Thank you, Mr. Chairman.

Are you familiar with the wage scale in the Volkswagen factories over there? How do they compare with the American wage scales?

Mr. COERPER. I am not personally familiar. I know that the wage rates are going up very rapidly in Germany and that they are probably going up more rapidly than in the United States at the present time. They certainly don't have any tremendous difference. It is not three, four, five times different in wages as you would find in many other countries.

I think German wage rates are probably closer to the U.S. wage rates than most other countries would be.

Mr. GIBBONS. What kind of ad valorem rate do we charge on those Volkswagens coming into the United States, from regular commercial imports?

Mr. COERPER. I would have to look it up in the tariff schedules. I don't have the figure.

Mr. GIBBONS. Thank you very much.

Mr. BURKE. We thank you for your testimony.

Our next witness is Mr. Derek A. Lee, president; David G. Pacy, vice president, and Mr. David N. G. Farquharson, executive secretary; British-American Chamber of Commerce.

## STATEMENTS OF DEREK A. LEE, PRESIDENT, AND DAVID N. G. FARQUHARSON, EXECUTIVE SECRETARY, BRITISH-AMERICAN CHAMBER OF COMMERCE; ACCOMPANIED BY DAVID G. PACY, VICE PRESIDENT

Mr. LEE. Mr. Chairman and gentlemen, thank you very much for this opportunity to appear. I am Derek A. Lee, president of the British-American Chamber of Commerce and chairman of the board, and president of Arthur H. Lee & Sons, Inc., an 80-year-old textile importing and exporting company handling things which are not, and cannot be manufactured in the United States. I am an American citizen by birth. I am accompanied by Mr. David G. Pacy, chairman of the executive committee and vice president of the British-American Chamber of Commerce, and executive vice president of Ferranti Electric Inc.; and by Mr. David N. G. Farquharson, executive secretary of the British-American Chamber of Commerce, which comprises some 1,200 member firms, 80 percent of which are incorporated in the United States.

We represent also, on this occasion, the British Footwear Manufacturers Federation, the principal trade association of the British footwear industry.

With your permission I will have our executive secretary outline the highlights of our statement.

## STAMEMENT OF DAVID N. G. FARQUHARSON

H.R. 14870

Mr. FARQUHARSON. Mr. Chairman, gentlemen, the British-American Chamber of Commerce generally endorses the provisions of this bill because it favors the continuation of the atmosphere of developing free trade between nations, which has been evident in recent years, and which has benefited all the participants.

We believe that the provisions of this bill to remedy, by means of financial assistance, injuries caused to particular U.S. industries as a result of liberal trade policy, to be the appropriate way to deal with such specific damage. In particular, we feel that this method is superior to any industrywide preferential treatment, such as might be obtained by the use of increased tariffs or restrictive quotas.

The way to deal with a dwindling export surplus is not to resort to controls or trade restrictions. The most constructive action the United States can make at this point, for improving is foreign trade position, is to curb the steep uptrend in costs and prices, since U.S. export prices tend to follow closely the general domestic price levels.

We believe it advisable that the President should be authorized to make modest amendments to U.S. tariffs, in order to effectively conduct a national trade policy. The lack of such power can expose U.S. exports to foreign retaliation.

It is a good idea to work towards reducing nontariff barriers to trade, and to encourage other countries to do the same. The American selling price system is viewed by our principal trading partners as a symbol of American protectionism, and its elimination is desirable

in the interests of removing trade barriers. Moreover, it seems helpful, as the President has suggested, to have a clear statement by the Congress of its attitude with regard to nontariff barriers. Such a statement could only prove constructive.

Finally, it goes without saying that the request for the funding of U.S. participation in GATT is highly desirable.

H.R. 16920

We are strongly opposed to the restriction of free trade under conditions of fair competition, and we hold that the imposition of quotas on textiles and footwear is unreasonable and unnecessary.

It is particularly on behalf of the British footwear industry that we consider H.R. 16920.

U.S. IMPORT PROBLEM—FOOTWEAR

The apparent problem for the U.S. shoe industry, caused by imports, is due to the volume of cheap nonrubber footwear from just a few sources. Eighty-nine percent of all imports of nonrubber footwear come from: Japan, 38 percent; Italy, 33 percent; Taiwan, 9 percent; Spain, 9 percent.

In other words, there is 11 percent left for the remainder of the nations. The U.K. share is about 1½ percent.

Of these, some 50 percent with plastic uppers are from far eastern sources. Leather sandals account for 20 percent, almost entirely women's and misses', of a type not manufactured in perceptible volume in the U.S.A.

This table tells the story of comparative prices of shoes from different sources entering the United States:

| | *Average price per pair* | | *Average price per pair* |
|---|---|---|---|
| 1. Austria | $18.80 | 10. Italy | $2.47 |
| 2. Switzerland | 14.33 | 11. Czechoslovakia | 2.25 |
| 3. United Kingdom | 6.99 | 12. Rumania | 1.84 |
| 4. West Germany | 6.32 | 13. Mexico | 1.39 |
| 5. Belgium | 5.14 | 14. India | 1.01 |
| 6. Jamaica | 3.64 | 15. Hong Kong | .78 |
| 7. Spain | 3.43 | 16. Japan | .60 |
| 8. Canada | 3.30 | 17. Taiwan | .47 |
| 9. France | 2.91 | 18. Other Countries | 1.92 |

NOTE.—The figures are from 1967 prices, but the basis of comparison has not changed.

It is erroneous to lump all imports together under one term "footwear" and consider that they should receive equal treatment in a proposed quota. In fact, the imposition of a quota against British footwear would constitute a gross and unfair discrimination against products that cannot be shown to compete, other than most fairly, with the domestic product. It is to be borne in mind that the U.K. has, over the years, consistently been at a disadvantage in the balance of trade between our two countries, and any move to restrict a particular British import into the U.S.A. might engender an unfortunate reaction in the U.K.

The U.S. shoe industry is the largest producer in the world. It remains in a dominant position in its own domestic market, and shows no sign of being seriously challenged here.

It is with leather shoes that we are particularly concerned. Imports account for 15 percent of men's and women's leather shoes sold in the U.E.A. and 10 percent of children's. It is in this field that the British are competing.

PRICE

With respect to leather shoes, which are comparable to the domestic product, a U.S. Tariff Commission report on imports, dated December 1969, gives an average landed value, after duty and other costs, of $5 a pair for men's, $6 for women's, and $2 for children's. Of shoes from all sources, it is stated that these cost about 30 percent less than the average U.S. factory price for comparable men's and children's shoes, and about 10 percent less for women's.

We would dispute this comparison with respect to imports from the U.K. The Department of Commerce Bureau of Census Industrial Report of Shoes and Slippers, February 1970 (Series M31A (70)-2) gives the average prices from U.S. domestic factories as $4.70 a pair in 1968, and $4.98 in 1969. As far as British footwear is concerned, the average price of all nonrubber footwear shipped to the U.S.A. during 1968 and 1969 was more than $6 per paid (f.o.b.); the landed duty price paid would be near $7 per pair, which is well above the domestic average price suggested. These figures indicate that the domestic manufacturer is not at a price disadvantage compared with the importer.

STYLE

From the point of view of both retailer and American consumer, the Tariff Commission Investigation No. 332–62 clearly indicates that the better-class imported footwear makes a significant contribution to the variety of styling and workmanship of shoes available to the public. It states: "* * * the more expensive imported footwear contributes a variety of styling and workmanship which is not generally available from domestic sources at the same prices, and which is believed to increase total footwear sales."

Retailers continue their interest in these imports despite the fact that the prices of imported shoes have been rising; that there have been strikes affecting delivery; a high rate of pilfering on U.S. docks; and the disadvantage of the longer leadtime required for placement of foreign orders.

That there has been a great increase in the volume of imported footwear in the last 20 years is not in dispute.

During World War II and its aftermath, there were hardly any imports, but since the early 1950's, they have grown rapidly. That there should be growth was to be expected when the starting point was zero. However, a factor of considerable influence on the situation is fashion and styling. For some years now, shoe fashion has originated in Europe, in Italy, France, Britain, and Scandinavia. Previously an innovator of shoe fashion, the U.S. industry has in recent years fallen back, so that importers and retailers have tended to seek the latest in styling from Europe.

U.S. DOMESTIC MANUFACTURERS ARE ALSO RETAILERS

It is significant, as noted in U.S. Tariff Commission Report, Investigation No. 332–62, that a large number of the retail shoe outlets

in the United States are owned by domestic shoe manufacturers, and these same enterprises import and sell their proportion of foreign shoes.

TECHNOLOGY

In its technical standing, the U.S. footwear industry, a leader 20 years ago, has come to follow Europe rather than to lead it. The American shoe industry has not been as quick in keeping abreast of new techniques and taking full advantage of them. The European shoe industry has undertaken considerable research and planning, to the resultant advantage of shoemaking throughout the world, including the United States.

Thus, it has been due to the leadership in styling and technology that the European manufacturers have successfully penetrated the U.S. market, rather than as the result of unfair price competition.

LABOR

Where there has been a redistribution of labor, it has been because of the normal evolution of domestic industry, the smaller individual enterprises surrendering to the larger industrial units, where both the benefits of modern technology and the economies of scale have been achieved.

Thus, a steadily increasing shoe production has been achieved by a steadily decreasing labor force. This is so in Europe as in the United States. It is misleading to suggest that consequent "lost job opportunities" have been caused by import competition.

U.S. EXPORTS

Moreover, a healthy shoe industry in Britain, and other countries, has been materially assisted by aggressive and successful exploitation of export markets. During the same period, U.S. shoe exports have continued to fall. It is our belief that this stems from lack of initiative on the part of the U.S. industry. There is no evidence that it is as a result of price, and U.S. shoes abroad are subject to the same rate of duty and treatment as those from any other country, including the United Kingdom.

Mr. LEE. Thank you.

Mr. Chairman, with the indulgence of yourself and your committee, I would like to briefly present further comments to, and in summary of our statement.

As well as representing the British-American Chamber of Commerce and the British Footwear Manufacturers, I am also speaking as an American citizen. In doing so, I want to point out that in presenting our statement we did not touch in any depth upon textile products which is an integral part, I believe, of your bill, 16920. This was purposely done in the interest of brevity because there are many more variables in textiles, I am sure you all know, than in footwear, and because in principle they follow the same pattern and present similar arguments against quotas.

The problem is paralleled in quality and price, in styling and technology. I have been in the textile industry for 38 years and have worked and conferred with American and British manufacturers and

feel qualified to judge comparative textile values and merits in all areas.

I find it inconceivable and indeed dangerous to impose quotes. No democratic government can deprive its people of making their own judgment nor permit them to face the penalty of retaliation. Quality imported, in many instances, is not manufactured in the United States, and in fact, a great many of our American factories buy British and European goods to convert in this country, which does not interfere with labor, and at the same time, gives them a commodity that they canot get elsewhere.

Is substitution for quality the right answer? At a Senate hearing on tariffs, Senator Talbot instructed me to continue importing quality regardless of customs tariffs.

At that time, I was importing something that brought down a 90-percent tariff and it was not, and could not be made in the United States, but the only place in the world it was made was in our own little factory in England.

He further went on to say what America needs are fine things. This, gentlemen, is becoming even more necessary today. When the industry strives to make cheaper instead of better, our obligation becomes greater. Prices on imports from the United Kingdom and indeed in Europe are in many instances substantially higher because of the quality produced.

If quotas are imposed and no restrictions placed on wage and price increases, then the U.S. prices for a very inferior article could sky-rocket. Fair and equitable competition is essential to keep prices down and to keep quality up. Quality to me is a most important thing, not only in textiles, but in people themselves. And the thinking that goes with them has a bearing on both.

Styling is vastly different the world over because of conditions and attitudes. The United States can expect to make only a small portion of what is made overseas because they are not tooled to do so. And certainly not at a cheaper price. The consumer has the right to enjoy such textiles and decide their style suitable to themselves.

In conclusion, I would like to say that in the manufacturing area the United Kingdom does not impose upon the United States detrimental quotas and indeed, the small irritating item they had they are dismantling now, and that is the import deposit scheme which caused argument at one time. I know because I was involved in it. The United Kingdom textile industry is at a low ebb, and suffering a great deal more than that of the United States.

It is only reasonable to assume that if we do impose quotas, whether the United Kingdom does or not, they certainly should just as a just protection.

Mr. Chairman, and gentlemen, please consider very carefully the business climate as it relates to quotas particularly today where there is a sagging in the market. If we turn back the pages back in history and remember the 1930's, we will see where national barriers were built up which caused the great depression to be extended. The economy of the United States depends upon that, of its trading partners and of its friends, because she is the biggest and most important country in having outside investments.

Mr. Chairman, on behalf of Mr. Pacy, Mr. Farquharson, and myself, we thank you for your attention.

Mr. BURKE. Thank you.

Mr. Conable?

Mr. CONABLE. Thank you, Mr. Chairman, I am stimulated by one comment here in Mr. Farquharson's testimony where you say:

> Thus a steadily increasing shoe production has been achieved by a steadily decreasing labor force. This is so in Europe as in the United States.

Do you have any figures to support that, sir? Is there a declining labor force in the shoe industry in Europe and if so, is it concentrated or is it generally a declining labor force?

Mr. FARQUHARSON. I can't answer for other countries. This has been generally so over 20 years in Great Britain. The American statistics are in fact taken from U.S. Tariff Commission reports which have quite comprehensive tables.

Mr. CONABLE. We are well aware of the fact that we have a declining labor force here. I am wondering if this could be balanced by a similar slowing abroad. This would be of some significance, of course, if the labor force declined as a result of the march of technology rather than the incursions of imports.

So, I wondered where such information might be made available to us.

Mr. PACY. I can't answer your question, sir, but I believe we can get this information for you.

Mr. CONABLE. It would be very interesting to us because, of course, there are many people quite anxious to draw the conclusion in this country that the reason for a declining force is imports, not a change in technology. So, if you could get that information, we would appreciate it.

(The information referred to follows:)

The two major footwear trade associations in Great Britain, covering 80 percent of the industry, give the following figures:

| | Number of firms | Production (pairs) | Employees |
|---|---|---|---|
| 1951 | 522 | 116,297,000 | 97,502 |
| 1959 | 429 | 129,527,000 | 90,697 |
| 1969 | 288 | 151,885,000 | 78,087 |

Mr. BURKE. I would like to say in comment to Mr. Lee's statement on page 4 where they refer to the styles and workmanship of shoes, it says, "However, a factor of considerable influence on the situation is fashion and styling."

Why do you think the Americans have lost our incentives over here for creation in styling? What has happened since the trade bill was passed that suddenly Americans can no longer create stylish shoes?

What bearing did the passage of the trade bill have on this tremendous increase in imports that now we find some of the people saying, "This was caused by styles and the creations and the demands of the American public."

This acceleration of imports, as you know, has taken place since the trade bill was passed. What happened in the last 5 years? Suddenly the stylists over here and people that create the type of American women shoes, did they suddenly disappear from the Continent and did they take off and go to these other countries?

Mr. FARQUHARSON. I don't think it has been a sudden thing but during the 1940's all research, improvements, styling, were absolutely dead in most of Europe. Great Britain certainly, which is the only country I can speak for from personal knowledge, was entirely dependent, at the end of the war, on the know-how and technology that could be obtained under license from the United States. Firms like Delman, I. Miller, and a little later David Evins, were the leading stylists in the world and were admitted as such, and British designs and, I think, most European designs, stemmed from their initiative.

But over the succeeding years European research on shoe technology and the emergence of fresh design, with special brilliance in some countries, has gradually moved into the forefont; for instance, the French were the acknowledged leaders in women's fashion generally, and included some shoe design in their fashion. In fact, there has been a gradual and steady movement towards a distinct school of design in Europe, which American retailers have considered of great significance, and consequently have bought a quantity of European shoes.

Mr. BURKE. I have in mind some shoe factories that were located in my particular congressional district. They have closed in the past 12 years. They have transported their entire operation overseas. They are importing exactly the same shoes. There is very little difference in those that they manufacturered over here.

This has happened in many, many cases. American firms have transferred, exported all of their machinery and their top echelon, the stylists and their technicians over there and built these factories.

Do you think that was because the stylists who were over there and the creators of the styles over there? In other words, what you people are saying here is that they moved the mountain to Mohammed instead of moving Mohammed to the mountain.

Wouldn't it have been much easier for them to go into the European market and give good high salaries to some of these stylists and creators over there, bring them over here, rather than close down an entire plant and then transfer the whole plant over there and hire all the people over there and go to all of that bother merely because they are unable to get stylists or someone to create new styles?

Do you think that it would have been much easier to bring the creator of these styles over here and pay them a handsome salary? You

take a firm that closes down that has sales up to $1 million a year in this country. Then they close that firm down at this time.

Wouldn't it have been much easier for that firm to hire a stylist from over there to come over here to the United States rather than close the factory down, go over there and go to all the trouble of building a new factory, hiring all new employees, getting them all trained to produce that type of shoe?

Your argument doesn't seem to hold up. It seems to me that when we needed a man like von Braun we brought him over here and other great scientists and people that we have been able to get over here in the country.

Why is it necessary to close down all of these shoe factories in America merely to get the styles changed?

Mr. PACY. I can't say as to why this might have happened, but I think when we are dealing with style being a highly subjective subject such as it is——

Mr. BURKE. I like the styles of the British shoes. Don't get me wrong. I don't think our problem is with the United Kingdom. I think that your living conditions are up there. I am very critical of the wage-and-hour conditions in some of the countries that you have outlined here in your testimony. But I just cannot understand your argument that the reason for the plight of the shoe industry over here is because we have not been able to come up with styles and things.

I think if I was a shoe manufacturer and I had a $5 million investment, I think it wouldn't take me more than 24 hours to fly over to France or Italy or Great Britain and surely be able to get a topnotch man with creation of styles and induce him to come over here. I don't believe it would be too difficult if the payment was high enough.

Mr. LEE. That isn't the point, sir. You should get the labels to put inside the shoe. It is psychological thing in fashion. It is not like bringing scientists here.

Mr. BURKE. You said during your testimony about the importance of quality. You can bring over that creator and let him come over here and produce the top-quality shoe.

Mr. LEE. Yes; then it will cost.

Mr. BURKE. That is what we are getting at. I always admire the British because of the great persuasive arguments and how they have been able to handle trade throughout the world. But I think that you must realize that there is a point of no return. This great Nation of ours is facing some real problems as far as the economic outlook is concerned. We are concerned about the stability of the dollar; the stability of the franc, the stability of the mark.

But if the imbalance of trade is continued and we have a high imbalance of trade which can happen very well under the administration's bill, I think that it would be wise for some people to be looking into this area and make sure that we don't jump into one of those bottomless pits of which there is no return.

This is something that we have to consider in the trade picture. I think that the whole trouble is that everybody says we have to have free trade. But we are the only ones that are giving everything away, and we see all of these trade barriers around the world. We don't seem to have the good negotiators that the United Kingdom has.

I wish we had some of the people from the United Kingdom on our side negotiating for us. I wish we had some of the negotiators that the great Government of Japan has; they are able to persuade our negotiators to give everything away.

We don't seem to have the hardheaded traders, or the old Yankee traders, as we used to call them in our country. I don't believe the United Kingdom has created the problem for us. In Hong Kong we are getting some of the problems being created.

We would hope that the United Kingdom can use the persuasive arguments on those people to bring up the living conditions and raise the wages and a few other things and give us a chance at least to compete with them.

Mr. PACY. I might just comment on the general economic situation, Mr. Chairman. The British economic situation in recent years has also left a lot to be desired. I guess there are some parallels between the two countries. But I think we would like to observe that in dealing with its economic situation Britain did not resort to higher restrictive trade practices and quotas, but rather to internal measures to correct the situation.

Mr. BURKE. I recognize the interdependence that is needed here between the two countries. I don't think that automobile agreement that was worked out proved to be very harmful. If we could get this type of cooperation with some of these other nations—we seem to be running up against a stone wall, there is a saturation point on everything.

I think we have reached it on textiles and shoes.

I would hope that some of these people will bring back a message that we have had it, and if they don't, to go after more; they are going to run into some real trade problems.

That is what I am afraid of. I don't want that to happen. I supported the trade bill and the shoe people supported it and the textile people and the unions came down here and testified before the committee because there was great promise of what would happen.

When you see the doors of these factories closing—England has gone through some depression years over the years. They know what unemployment is. I think they have a real profound appreciation of what happens when these communities close up on these individuals.

That is all I have to say. I want to thank you. But I think Hong Kong might be one of the areas you can look into.

Our next witness is Morris Rosoff, president, Brazilian-American Chamber of Commerce.

We welcome you. You may proceed.

## STATEMENT OF MORRIS ROSOFF, PRESIDENT, BRAZILIAN-AMERICAN CHAMBER OF COMMERCE

Mr. ROSOFF. My statement text has not as such been read and for that reason has not been approved or disapproved by the executive committee of the Brazilian-American Chamber of Commerce, although the members of the committee have been advised of its thrust.

My name is Morris Rosoff. I appear before you in my capacity as president of the Brazilian-American Chamber of Commerce, Inc., a New York membership corporation.

We are concerned here with methods which may, nevertheless, affect substance. We recognize the necessity of not inflicting substantial damage to domestic industries on the one hand, and, on the other, the not necessarily, as we view it, irreconcilable principle of appropriate recognition of the critical role which international trade plays in the pursuit of world peace and relative stability.

It would be gratuitous of us at this hearing to approve or disapprove in the principle the recommendation of the "Report to the President of the United States From the Task Force on International Development," dated March 4, 1970, wherein the task force (p. 43):

> . . . recommends creation of a U.S. International Development Council to coordinate U.S. international development activities and relate them to U.S. foreign policy.

We do, however, refer to its thesis that international trade has extrapolations beyond trade as such.

Without going into the language itself, we can here and now agree with the burden of title II of the subject bill seeking, in effect, to avoid serious injury to domestic industries due in any substantial degree to increased imports, as in the bill defined and limited.

Brazil is the largest nation in the Western Hemisphere except for the United States. It is comprised of 3.2 million square miles, as against 3.5 million square miles of the continental United States (Webster's Geographic Dictionary). It has been described as the size of the United States in terms of the contiguous 48 States plus another Texas. However, I would not subscribe to any concept which treats Texas in such a cavalier fashion. Brazil's current population approximates 93 million people.

These considerations and Brazil's burgeoning economy make it an exceptional factor both in the statistical terms themselves and in their implications. Our approach here, without deemphasizing Brazil's relative uniqueness in this sense, is rather to underscore its common denominator with all the other developing countries. Specified base years, whether 1967 and 1968, as in the bill, or other, and whether with respect to textiles and shoes or other commodities are necessarily, we respectfully submit, not meaningful in terms of coming to grips with the pressures of the economies of the developing countries with which a viable modus vivendi ought to be, perhaps must be, developed.

The Rockefeller report to the President, "Quality of Life in the Americas," dated August 30, 1969, stresses and places this problem in a hemispheric context. The question of trade from within the hemisphere must, it is respectfully submitted, be actively considered. The Rockefeller report states (p. 133) under the heading "The Western Hemisphere as a Unity":

> Not only brotherhood but also geography and a common heritage of respect for the worth of man have united our hemisphere. No one can travel through this hemisphere without being keenly conscious of the multiple special links that bind it together. The Western Hemisphere nations are not separate entities; they are sovereign peoples indissolubly bound to one another by mutual hopes and needs, mutual interests, and common goals.

Whether or not one goes as far as this statement in all its ramifications, it at least flags a special area for consideration.

With respect to Brazil, it may be useful to place into focus its export to the U.S. markets of the two commodities thus far principally treated under H.R. 16920. In its statistical studies "U.S. Imports of Leather and Vinyl Footwear by Countries of Origin" for the years 1967, 1968, and 1969 issued by the American Footwear Manufacturers Association under date of April 17, 1970, Brazil is not even listed among the 17 principal foreign exporters. It presumably is grouped under the 18th columnar heading of "Other Countries."

The report is annexed hereto and marked schedule A.

(The information referred to follows:)

SCHEDULE A.—U.S. IMPORTS OF LEATHER AND VINYL FOOTWEAR BY COUNTRIES OF ORIGIN—1967, 1968, AND 1969

[1,000 pairs; $1,000]

| | Total | | Canada | | United Kingdom | | Italy | | Spain | | France | | Switzerland | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value |
| Grand total: | | | | | | | | | | | | | | |
| 1969 | 195,480 | $429,506 | 1,976 | $6,862 | 3,117 | $20,814 | 60,535 | $195,786 | 20,690 | $73,424 | 2,509 | $9,214 | 591 | $7,840 |
| 1968 | [1] 175,292 | [1] 328,272 | 1,731 | 5,213 | 2,775 | 16,145 | 58,996 | 157,054 | [1] 14,248 | [1] 47,614 | 2,622 | 8,082 | 535 | 7,076 |
| 1967 | 129,137 | 217,595 | 1,265 | 4,175 | 1,793 | 11,449 | 41,552 | 102,728 | 6,695 | 22,964 | 2,418 | 7,033 | 383 | 5,490 |
| Average price per imported pair: | | | | | | | | | | | | | | |
| 1969 | | 2.20 | | 3.47 | | 6.68 | | 3.23 | | 3.55 | | 3.67 | | 13.27 |
| 1968 | | 1.87 | | 3.01 | | 5.82 | | 2.66 | | 3.34 | | 3.08 | | 13.23 |
| 1967 | | 1.68 | | 3.30 | | 6.39 | | 2.47 | | 3.43 | | 2.91 | | 14.33 |
| Leather footwear, total: | | | | | | | | | | | | | | |
| 1969 | 97,377 | 346,086 | 762 | 4,713 | 3,076 | 20,673 | 57,058 | 190,660 | 20,045 | 72,462 | 2,432 | 8,738 | 538 | 6,675 |
| 1968 | [1] 87,213 | [1] 266,543 | 752 | 3,871 | 2,725 | 16,037 | 54,906 | 152,149 | [1] 13,905 | [1] 47,320 | 2,588 | 7,998 | 525 | 7,006 |
| 1967 | 62,533 | 178,070 | 649 | 3,279 | 1,772 | 11,395 | 40,284 | 101,396 | 6,526 | 22,882 | 2,358 | 6,918 | 378 | 5,447 |
| Men's and boys': | | | | | | | | | | | | | | |
| 1969 | 28,974 | 127,391 | 321 | 2,688 | 2,341 | 16,090 | 10,351 | 51,193 | 7,683 | 26,987 | 1,879 | 4,789 | 398 | 4,987 |
| 1968 | [1] 23,142 | [1] 92,580 | 246 | 2,064 | 2,078 | 12,488 | 8,551 | 37,694 | [1] 5,070 | [1] 16,696 | 2,242 | 4,925 | 331 | 3,878 |
| 1967 | 16,101 | 64,582 | 252 | 2,024 | 1,245 | 8,577 | 5,278 | 22,828 | 2,759 | 10,526 | 2,082 | 4,510 | 264 | 3,518 |
| Women's and misses': | | | | | | | | | | | | | | |
| 1969 | 59,658 | 195,134 | 159 | 640 | 463 | 3,037 | 44,543 | 132,685 | 10,366 | 41,882 | 432 | 3,607 | 79 | 674 |
| 1968 | 56,859 | 153,876 | 108 | 311 | 386 | 2,255 | 45,026 | 110,270 | 7,496 | 28,180 | 301 | 2,821 | 65 | 653 |
| 1967 | 40,408 | 96,403 | 127 | 206 | 285 | 1,704 | 34,064 | 74,597 | 2,925 | 10,898 | 213 | 1,786 | 62 | 692 |
| Infants' and children's: | | | | | | | | | | | | | | |
| 1969 | 5,151 | 8,200 | 33 | 36 | 20 | 72 | 1,851 | 3,259 | 1,922 | 3,305 | 101 | 143 | 4 | 32 |
| 1968 | 2,970 | 4,344 | 12 | 12 | 6 | 15 | 705 | 1,188 | 1,271 | 2,111 | 29 | 37 | 2 | 8 |
| 1967 | 1,895 | 2,718 | 50 | 47 | 4 | 15 | 331 | 580 | 796 | 1,284 | 27 | 43 | 3 | 14 |
| Slippers for housewear: | | | | | | | | | | | | | | |
| 1969 | 357 | 768 | 14 | 12 | 107 | 262 | 18 | 578 | 5 | 11 | 5 | 22 | | |
| 1968 | 462 | 915 | 17 | 18 | 132 | 300 | 17 | 73 | 2 | 6 | (2) | (2) | | |
| 1967 | 434 | 904 | 9 | 21 | 152 | 375 | 19 | 65 | (2) | 1 | (2) | (4) | (2) | 1 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Moccasins, Indian type: | | | | | | | | | | | | | | |
| 1969 | 624 | 753 | 36 | 56 | 1 | 3 | 3 | 31 | 24 | 51 | (2) | 2 | (2) | 1 |
| 1968 | 590 | 653 | 50 | 105 | 3 | 8 | 2 | 4 | 8 | 14 | ---- | ---- | ---- | ---- |
| 1967 | 1,402 | 1,571 | 77 | 121 | ---- | ---- | 1 | 5 | 2 | 5 | (2) | 2 | ---- | ---- |
| Huaraches: | | | | | | | | | | | | | | |
| 1969 | 73 | 118 | 4 | 2 | 1 | 3 | 2 | 28 | (2) | 1 | ---- | ---- | ---- | ---- |
| 1968 | 163 | 126 | 116 | 68 | 1 | 3 | ---- | ---- | 10 | 9 | ---- | ---- | ---- | ---- |
| 1967 | 28 | 53 | ---- | ---- | ---- | ---- | 1 | 1 | (2) | 1 | ---- | ---- | ---- | ---- |
| Other leather footwear:[3] | | | | | | | | | | | | | | |
| 1969 | 2,014 | 12,677 | 195 | 1,279 | 121 | 1,091 | 223 | 3,047 | 40 | 201 | 3 | 44 | 56 | 972 |
| 1968 | [1] 2,009 | [1] 12,463 | 199 | 1,258 | 92 | 819 | 147 | 2,045 | 47 | 293 | 7 | 104 | 127 | 2,464 |
| 1967 | 1,262 | 10,008 | 133 | 859 | 54 | 514 | 144 | 2,291 | 34 | 148 | 21 | 418 | 50 | 1,222 |
| Footwear leather sole, fiber upper: | | | | | | | | | | | | | | |
| 1969 | 526 | 1,045 | ---- | ---- | 22 | 115 | 67 | 359 | 5 | 24 | 12 | 131 | 1 | 9 |
| 1968 | 1,018 | 1,586 | 4 | 35 | 26 | 149 | 458 | 875 | 1 | 11 | 9 | 111 | (2) | 3 |
| 1967 | 983 | 1,831 | (2) | 2 | 31 | 211 | 446 | 1,029 | 10 | 20 | 14 | 156 | ---- | ---- |
| Footwear having supported vinyl uppers: | | | | | | | | | | | | | | |
| 1969 | 90,349 | 74,781 | 743 | 792 | 26 | 84 | 3,251 | 4,669 | 588 | 813 | 59 | 401 | 37 | 1,073 |
| 1968 | 84,047 | 59,145 | 711 | 616 | 46 | 98 | 3,976 | 4,677 | 235 | 251 | 30 | 58 | 1 | 7 |
| 1967 | 62,966 | 37,789 | 425 | 371 | 16 | 40 | 1,164 | 1,157 | 63 | 51 | 51 | 78 | 1 | 6 |
| Men's and boys': | | | | | | | | | | | | | | |
| 1969 | 9,744 | 12,294 | 70 | 76 | 10 | 44 | 234 | 663 | 23 | 30 | 7 | 138 | 26 | 798 |
| 1968 | 7,696 | 7,681 | 38 | 38 | 10 | 31 | 239 | 311 | 4 | 5 | 16 | 27 | (2) | 6 |
| 1967 | 6,531 | 6,025 | 14 | 14 | 12 | 27 | 193 | 200 | ---- | ---- | 44 | 62 | ---- | ---- |
| Women's and misses': | | | | | | | | | | | | | | |
| 1969 | 70,777 | 55,820 | 71 | 196 | 5 | 22 | 2,536 | 3,574 | 339 | 580 | 50 | 258 | 12 | 275 |
| 1968 | 68,579 | 46,603 | 49 | 54 | 23 | 57 | 3,494 | 4,155 | 117 | 157 | 8 | 23 | (2) | 2 |
| 1967 | 49,767 | 27,704 | 19 | 22 | 4 | 10 | 885 | 898 | 42 | 35 | 6 | 14 | 1 | 6 |
| Infants' and children's: | | | | | | | | | | | | | | |
| 1969 | 8,111 | 5,753 | 100 | 85 | 10 | 16 | 418 | 379 | 218 | 197 | 1 | 3 | ---- | ---- |
| 1968 | 6,256 | 4,087 | 86 | 78 | 5 | 7 | 240 | 204 | 113 | 90 | 6 | 7 | ---- | ---- |
| 1967 | 5,548 | 3,507 | 18 | 15 | 1 | 3 | 86 | 59 | 21 | 16 | 2 | 2 | ---- | ---- |
| Soft sole: | | | | | | | | | | | | | | |
| 1969 | 1,717 | 914 | 502 | 435 | 1 | 3 | 63 | 54 | 8 | 6 | 1 | 1 | ---- | ---- |
| 1968 | 1,515 | 775 | 538 | 446 | 8 | 3 | 3 | 6 | ---- | ---- | ---- | ---- | ---- | ---- |
| 1967 | 1,120 | 553 | 375 | 320 | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- |
| Other nonrubber footwear:[4] | | | | | | | | | | | | | | |
| 1969 | 7,754 | 8,640 | 471 | 1,357 | 15 | 56 | 226 | 458 | 57 | 150 | 17 | 75 | 16 | 93 |
| 1968 | 4,032 | 2,584 | 268 | 725 | 4 | 11 | 114 | 230 | 108 | 44 | 5 | 26 | 9 | 67 |
| 1967 | 3,638 | 1,736 | 191 | 525 | 4 | 13 | 104 | 175 | 105 | 31 | 9 | 37 | 3 | 31 |

See footnotes at end of table.

SCHEDULE A.—U.S. IMPORTS OF LEATHER AND VINYL FOOTWEAR BY COUNTRIES OF ORIGIN—1967, 1968, AND 1969—Continued

[1,000 pairs; $1,000]

| | Total | | Japan | | Hong Kong | | Mexico | | Czechoslovakia | | Taiwan | | West Germany | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value |
| Grand total: | | | | | | | | | | | | | | |
| 1969 | 195,480 | $429,506 | 63,463 | $55,176 | 3,356 | $2,495 | 2,396 | $5,144 | 2,622 | $5,730 | 24,320 | $13,526 | 1,923 | $10,622 |
| 1967 | 129,197 | 117,595 | [1] 65,145 | [1] 46,926 | 2,300 | 1,824 | 2,468 | 4,301 | 2,036 | 4,260 | 5,316 | 7,795 | 962 | 6,603 |
| | | | 56,768 | 34,231 | 1,392 | 1,091 | 1,972 | 2,746 | 1,977 | 4,449 | 6,715 | 3,135 | 823 | 5,199 |
| Average price per imported pair: | | | | | | | | | | | | | | |
| 1969 | | 2.20 | | 87¢ | | 74¢ | | 2.15 | | 2.19 | | 56¢ | | 5.52 |
| 1968 | | 1.87 | | 72¢ | | 79¢ | | 1.74 | | 2.09 | | 51¢ | | 6.86 |
| 1967 | | 1.68 | | 60¢ | | 78¢ | | 1.39 | | 2.25 | | 47¢ | | 6.32 |
| Leather footwear, total: | | | | | | | | | | | | | | |
| 1969 | 97,377 | 364,086 | 1,039 | 2,618 | 405 | 456 | 2,376 | 5,122 | 2,616 | 5,721 | 154 | 220 | 1,237 | 8,828 |
| 1968 | [1] 87,213 | [1] 266,543 | [1] 1,141 | [1] 2,614 | 486 | 458 | 2,455 | 4,292 | 2,037 | 4,260 | 111 | 135 | 837 | 6,262 |
| 1967 | 62,533 | 178,070 | 1,233 | 1,758 | 425 | 502 | 1,936 | 2,724 | 1,977 | 4,449 | 217 | 324 | 812 | 5,170 |
| Men's and boys': | | | | | | | | | | | | | | |
| 1969 | 28,974 | 127,391 | 232 | 707 | 26 | 129 | 637 | 2,752 | 2,063 | 4,400 | 31 | 80 | 993 | 6,442 |
| 1968 | [1] 23,142 | 92,980 | [1] 179 | [1] 531 | 31 | 69 | 492 | 1,676 | 1,349 | 2,699 | 21 | 53 | 627 | 4,139 |
| 1967 | 16,101 | 64,582 | 171 | 368 | 39 | 118 | 249 | 670 | 1,425 | 2,947 | 48 | 158 | 627 | 3,532 |
| Women's and misses': | | | | | | | | | | | | | | |
| 1969 | 59,658 | 195,134 | 686 | 1,741 | 31 | 41 | 631 | 1,161 | 38 | 63 | 41 | 89 | 168 | 1,571 |
| 1968 | 56,859 | 153,876 | 878 | 2,028 | 58 | 86 | 766 | 1,365 | 5 | 5 | 27 | 30 | 130 | 1,152 |
| 1967 | 40,408 | 96,403 | 812 | 1,263 | 66 | 81 | 242 | 448 | 1 | 1 | 130 | 163 | 105 | 920 |
| Infants' and children's: | | | | | | | | | | | | | | |
| 1969 | 5,151 | 8,200 | 31 | 125 | | | 13 | 21 | 249 | 336 | 49 | 19 | 29 | 109 |
| 1968 | 2,970 | 4,344 | 9 | 13 | 2 | 5 | 7 | 9 | 338 | 411 | (2) | (2) | 20 | 65 |
| 1967 | 1,895 | 2,718 | 18 | 9 | | | 122 | 143 | 149 | 189 | | 20 | 20 | 74 |
| Slippers for housewear: | | | | | | | | | | | | | | |
| 1969 | 357 | 768 | 25 | 9 | 24 | 11 | | | | | 2 | 2 | (2) | 1 |
| 1968 | 462 | 915 | 12 | 6 | 2 | 2 | 1 | 2 | | | | | 1 | 2 |
| 1967 | 434 | 904 | 39 | | | 2 | 1 | 2 | | | | | 1 | 2 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Moccasins, Indian type: | | | | | | | | | | | | | | |
| 1969 | 624 | 753 | ... | ... | ... | ... | 532 | 571 | ... | ... | 7 | 7 | ... | ... |
| 1968 | 590 | 653 | 8 | 5 | ... | ... | 518 | 517 | ... | ... | ... | ... | ... | ... |
| 1967 | 1,402 | 1,571 | 39 | 32 | ... | ... | 1,281 | 1,404 | ... | ... | ... | ... | ... | ... |
| Huaraches: | | | | | | | | | | | | | | |
| 1969 | 73 | 118 | 13 | 5 | ... | ... | 41 | 70 | (2) | (2) | ... | ... | 3 | 2 |
| 1968 | 163 | 126 | ... | ... | ... | ... | 25 | 39 | ... | ... | ... | ... | ... | ... |
| 1967 | 48 | 53 | 5 | 2 | ... | ... | 37 | 44 | ... | ... | ... | ... | 1 | 1 |
| Other leather footwear:[3] | | | | | | | | | | | | | | |
| 1969 | 2,014 | 12,677 | 2 | 8 | ... | ... | 512 | 547 | 266 | 922 | ... | ... | 43 | 700 |
| 1968 | [1] 2,009 | [1] 12,463 | (2) | 2 | (2) | 1 | 646 | 684 | 345 | 1,145 | ... | ... | 58 | 902 |
| 1967 | 1,262 | 10,002 | 5 | 8 | 3 | 8 | 4 | 14 | 403 | 1,312 | ... | ... | 56 | 638 |
| Footwear leather sole, fiber upper: | | | | | | | | | | | | | | |
| 1969 | 526 | 1,045 | 50 | 23 | 324 | 275 | ... | ... | ... | ... | 24 | 23 | 1 | 3 |
| 1968 | 1,018 | 1,586 | 55 | 29 | 293 | 295 | ... | ... | ... | ... | 63 | 52 | 1 | 2 |
| 1967 | 983 | 1,831 | 144 | 65 | 314 | 291 | ... | ... | ... | ... | 3 | 2 | 1 | 3 |
| Footwear having supported vinyl uppers: | | | | | | | | | | | | | | |
| 1969 | 90,349 | 74,781 | 57,914 | 50,483 | 2,550 | 1,846 | 17 | 15 | 6 | 7 | 24,029 | 13,237 | 29 | 159 |
| 1968 | 84,047 | 59,145 | 61,069 | 43,500 | 1,771 | 1,335 | 12 | 7 | ... | ... | 15,181 | 7,649 | 9 | 24 |
| 1967 | 62,966 | 37,789 | 53,015 | 31,922 | 905 | 545 | 36 | 22 | ... | ... | 6,433 | 2,795 | 1 | 1 |
| Men's and boys': | | | | | | | | | | | | | | |
| 1969 | 9,744 | 12,294 | 7,134 | 8,217 | 432 | 261 | 6 | 8 | ... | ... | 1,776 | 1,823 | 3 | 62 |
| 1968 | 7,696 | 7,681 | 6,387 | 6,446 | 228 | 143 | ... | ... | ... | ... | 703 | 596 | (2) | (2) |
| 1967 | 6,531 | 6,025 | 5,750 | 5,366 | 203 | 114 | ... | ... | ... | ... | 276 | 195 | ... | ... |
| Women's and misses': | | | | | | | | | | | | | | |
| 1969 | 70,777 | 55,820 | 44,514 | 37,767 | 1,887 | 1,474 | 11 | 7 | ... | ... | 20,361 | 10,638 | 27 | 97 |
| 1968 | 68,579 | 46,603 | 48,775 | 33,459 | 1,474 | 1,168 | 9 | 4 | ... | ... | 13,819 | 6,762 | 9 | 24 |
| 1967 | 49,767 | 27,704 | 41,562 | 23,191 | 654 | 418 | 35 | 22 | ... | ... | 5,935 | 2,502 | 1 | 1 |
| Infants' and children's: | | | | | | | | | | | | | | |
| 1969 | 8,111 | 5,753 | 5,384 | 4,181 | 156 | 81 | ... | ... | 6 | 7 | 1,706 | 707 | ... | ... |
| 1968 | 6,256 | 4,087 | 5,107 | 3,346 | 28 | 10 | ... | ... | ... | ... | 537 | 239 | ... | ... |
| 1967 | 5,548 | 3,507 | 4,979 | 3,140 | 39 | 9 | ... | ... | ... | ... | 210 | 94 | ... | ... |
| Soft sole: | | | | | | | | | | | | | | |
| 1969 | 1,717 | 914 | 882 | 319 | 74 | 29 | ... | ... | ... | ... | 185 | 68 | ... | ... |
| 1968 | 1,515 | 775 | 800 | 250 | 40 | 15 | 4 | 2 | ... | ... | 122 | 53 | ... | ... |
| 1967 | 1,120 | 553 | 724 | 225 | 9 | 4 | ... | ... | ... | ... | 12 | 4 | ... | ... |
| Other nonrubber footwear:[4] | | | | | | | | | | | | | | |
| 1969 | 7,754 | 8,640 | 4,510 | 2,075 | 401 | 192 | 4 | 8 | (2) | (2) | 138 | 69 | 656 | 1,636 |
| 1968 | 4,032 | 2,584 | 2,933 | 812 | 44 | 31 | (2) | 1 | ... | ... | 24 | 11 | 117 | 316 |
| 1967 | 3,638 | 1,736 | 2,520 | 550 | 62 | 45 | 1 | (2) | ... | ... | 65 | 17 | 9 | 29 |

See footnotes at end of table.

SCHEDULE A.—U.S. IMPORTS OF LEATHER AND VINYL FOOTWEAR BY COUNTRIES OF ORIGIN—1967, 1968, AND 1969—Continued

[1,000 pairs; $1,000]

| | Total | | Belgium | | Sweden | | Austria | | India | | Greece | | Other Countries | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value | Pairs | Value |
| Grand total: | | | | | | | | | | | | | | |
| 1969 | 195,480 | $429,506 | 557 | $3,113 | 539 | $1,731 | 173 | $2,984 | 2,096 | $2,108 | 228 | $2,042 | 4,391 | $10,898 |
| 1968 | [1] 175,292 | [1] 328,272 | 477 | 2,278 | 51 | 184 | 149 | 2,815 | 1,924 | 2,014 | 83 | 636 | 3,474 | 7,452 |
| 1967 | 129,137 | 217,595 | 312 | 1,603 | 29 | 110 | 143 | 2,689 | 1,385 | 1,398 | 39 | 322 | 3,478 | 6,782 |
| Average price per imported pair: | | | | | | | | | | | | | | |
| 1969 | | 2.20 | | 5.59 | | 3.21 | | 17.25 | | 1.01 | | 8.96 | | 2.48 |
| 1968 | | 1.87 | | 4.78 | | 3.61 | | 18.89 | | 1.05 | | 7.66 | | 2.15 |
| 1967 | | 1.68 | | 5.14 | | 3.79 | | 18.80 | | 1.01 | | 8.26 | | 1.95 |
| Leather footwear, total: | | | | | | | | | | | | | | |
| 1969 | 97,377 | 346,086 | 546 | 3,102 | 117 | 483 | 164 | 2,781 | [1] 2,094 | 2,107 | 227 | 2,040 | 2,492 | 8,683 |
| 1968 | [1] 87,213 | [1] 266,543 | 475 | 2,276 | 18 | 91 | 148 | 2,806 | 1,924 | 2,014 | 83 | 635 | 2,096 | 6,319 |
| 1967 | 62,533 | 178,070 | 300 | 1,593 | 8 | 58 | 141 | 2,659 | 1,385 | 1,398 | 39 | 322 | 2,094 | 5,797 |
| Men's and boys': | | | | | | | | | | | | | | |
| 1969 | 28,974 | 127,391 | 11 | 94 | 25 | 163 | 27 | 382 | 672 | 811 | 45 | 434 | 1,238 | 4,262 |
| 1968 | [1] 23,142 | [1] 92,580 | 113 | 364 | 6 | 41 | 46 | 851 | 711 | 900 | 30 | 286 | 1,019 | 3,226 |
| 1967 | 16,101 | 64,582 | 4 | 47 | 1 | 9 | 45 | 825 | 380 | 403 | 22 | 203 | 1,175 | 3,319 |
| Women's and misses': | | | | | | | | | | | | | | |
| 1969 | 59,658 | 195,134 | 527 | 2,954 | 87 | 295 | 16 | 210 | 654 | 673 | 178 | 1,554 | 559 | 2,266 |
| 1968 | 56,859 | 153,876 | 360 | 1,877 | 4 | 30 | 18 | 263 | 655 | 651 | 52 | 340 | 524 | 1,559 |
| 1967 | 40,408 | 96,403 | 287 | 1,491 | 5 | 36 | 17 | 284 | 679 | 743 | 17 | 118 | 370 | 973 |
| Infants' and children's: | | | | | | | | | | | | | | |
| 1969 | 5,151 | 8,200 | 7 | 32 | (2) | (2) | 1 | 3 | 763 | 616 | (2) | 1 | 80 | 90 |
| 1968 | 2,970 | 4,344 | (2) | 2 | (2) | 1 | (2) | 3 | 544 | 436 | | | 25 | 28 |
| 1967 | 1,695 | 2,718 | (2) | (2) | | | 1 | 2 | 316 | 240 | | | 58 | 75 |
| Slippers for housewear: | | | | | | | | | | | | | | |
| 1969 | 357 | 768 | | | 2 | 4 | 1 | 4 | 1 | 1 | | | 152 | 369 |
| 1968 | 462 | 915 | (2) | (2) | 1 | 4 | | | 2 | 2 | | | 274 | 500 |
| 1967 | 434 | 904 | | | | | | | 6 | 7 | | | 203 | 414 |
| Moccasins, Indian type: | | | | | | | | | | | | | | |
| 1969 | 624 | 753 | | | | | | | | | | | 11 | 31 |
| 1968 | 590 | 653 | | | | | | | | | | | | |
| 1967 | 1,402 | 1,571 | | | | | | | | | | | 1 | 2 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Huaraches: | | | | | | | | | | | | | | |
| 1969 | 73 | 118 | | | | | | | | | | | 9 | 6 |
| 1968 | 163 | 126 | | | 5 | 2 | | | 1 | 1 | | | 5 | 4 |
| 1967 | 48 | 53 | | | | | | | 4 | 4 | | | (2) | (2) |
| Other leather footwear:[3] | | | | | | | | | | | | | | |
| 1969 | 2,014 | 12,677 | (2) | 6 | 3 | 21 | 119 | 2,191 | 3 | 5 | | | 428 | 1,644 |
| 1968 | [1] 2,009 | [1] 12,463 | 1 | 24 | 1 | 12 | 84 | 1,689 | 11 | 24 | | | 244 | 997 |
| 1967 | 1,262 | 10,008 | 1 | 18 | 2 | 13 | 78 | 1,547 | | | | | 275 | 999 |
| Footwear leather sole, fiber upper: | | | | | | | | | | | | | | |
| 1969 | 526 | 1,045 | 1 | 16 | | | | | 1 | 1 | 4 | 51 | 15 | 15 |
| 1968 | 1,018 | 1,586 | 1 | 9 | (2) | 1 | | | (2) | (2) | 1 | 9 | 6 | 5 |
| 1967 | 983 | 1,831 | 7 | 36 | | | (2) | 1 | | | (2) | 1 | 11 | 15 |
| Footwear having supported vinyl uppers: | | | | | | | | | | | | | | |
| 1969 | 90,349 | 74,781 | | | | | 6 | 179 | 1 | 1 | | | 1,033 | 1,023 |
| 1968 | 84,047 | 59,145 | | | (2) | 1 | (2) | 1 | | | | | 1,006 | 921 |
| 1967 | 62,966 | 37,789 | | | | | (2) | 9 | | | | | 855 | 793 |
| Men's and boys': | | | | | | | | | | | | | | |
| 1969 | 7,744 | 12,294 | | | | | 6 | 162 | | | | | 19 | 13 |
| 1968 | 7,696 | 7,681 | | | | | | | | | | | 71 | 78 |
| 1967 | 6,531 | 6,025 | | | | | (2) | 9 | | | | | 38 | 39 |
| Women's and misses': | | | | | | | | | | | | | | |
| 1969 | 70,777 | 55,820 | | | | | 1 | 17 | 1 | 1 | | | 963 | 914 |
| 1968 | 68,579 | 46,603 | | | (2) | 1 | (2) | 1 | | | | | 802 | 736 |
| 1967 | 49,767 | 27,704 | | | | | | | | | | | 625 | 586 |
| Infants' and children's: | | | | | | | | | | | | | | |
| 1969 | 8,111 | 5,753 | | | | | | | | | | | 111 | 97 |
| 1968 | 6,256 | 4,087 | | | | | | | | | | | 134 | 106 |
| 1967 | 5,548 | 3,507 | | | | | | | | | | | 191 | 168 |
| Soft sole: | | | | | | | | | | | | | | |
| 1969 | 1,717 | 914 | | | | | | | | | | | | |
| 1968 | 1,515 | 775 | | | | | | | | | | | | |
| 1967 | 1,120 | 553 | | | | | | | | | | | | |
| Other nonrubber footwear:[4] | | | | | | | | | | | | | | |
| 1969 | 7,754 | 8,640 | 10 | 12 | 422 | 1,246 | 2 | 23 | 2 | 1 | 1 | 2 | 806 | 1,191 |
| 1968 | 4,832 | 2,584 | 1 | 1 | 33 | 92 | 1 | 8 | 1 | (2) | (2) | 1 | 370 | 212 |
| 1967 | 3,638 | 1,736 | 12 | 10 | 21 | 52 | 1 | 21 | | | | | 529 | 192 |

[1] Revised.
[2] Less than 500.
[3] Includes footwear made of wool felt, textiles, vegetable fiber, or wood.
[4] Data not directly comparable to prior years due to Tariff Reclassifications in September 1963; October 1964, January 1966, and January 1968.

Source: Bureau of the Census, FT-246 and BDSA; Based on Census data, United States Imports for Consumption. Average price per pair computed by BDSA.

Note: Figures may not add to totals due to independent rounding.

Mr. ROSOFF. Actually, on the basis of figures issued by the U.S. Department of Commerce, Bureau of Census, which are, we believe, unrevised, although the point is not blunted thereby, U.S. imports of footwear show the U.S. dollar mix among principal foreign suppliers as follows:

| | Calendar year 1967 | Calendar year 1968 | Calendar year 1969 |
|---|---|---|---|
| Total value of U.S. imports | $263,219,769 | $388,134,666 | $488,172,106 |
| Imports from Brazil [1] | $268,510 | $388,473 | $1,502,099 |
| Brazilian share of the U.S. market (percent) | 0.1 | 0.1 | 0.3 |
| Principal suppliers of the U.S. market: | | | |
| Italy | $103,737,716 | $158,285,342 | $198,533,040 |
| Japan | 61,813,826 | 80,009,435 | 84,458,613 |
| Spain | 23,095,046 | 47,844,185 | 73,890,093 |
| United Kingdom | 11,921,837 | 16,800,009 | 21,313,245 |
| Taiwan | 7,673,206 | 15,545,114 | 21,827,330 |
| France | 7,487,780 | 8,426,759 | 9,968,841 |
| Korea | 7,022,404 | 9,960,610 | 8,255,809 |
| Western Germany | 5,593,510 | 7,204,975 | 11,245,579 |
| Switzerland | 5,508,113 | 7,141,842 | 8,309,464 |
| Canada | 4,937,893 | 6,579,696 | 8,693,053 |
| Hong Kong | 4,123,946 | 5,791,432 | 6,857,886 |

[1] Additional source: U.S. Department of State.

Mr. ROSOFF. The arithmetic on the basis of the above would allow Brazil footwear imports to the United States of approximately U.S. $328,000, predicated on the base years 1967–68. However, in the calendar year 1969 the U.S. dollar value of such imports was $1,502,099. The point is that a developing country in our own hemisphere would be heavily penalized by the use of the base years proposed, in the absence of qualifying criteria in or under the bill.

In 1969, the only year for which I could obtain any statistics here (the Brazilian Government Trade Bureau, New York City) with respect to shipments of synthetic textiles to the United States, there is indicated a shipment of the value of $39, repeat, $39.

We place before the committee the proposition that within the framework of both U.S. industrial and its overall hemispheric and related considerations there is a persuasive case indeed, we submit, to be made for the inclusion of escape and adjustment clauses in the subject bill permitting of implementing regulations thereunder, with respect to developing countries.

To attain this objective, if it is to be attained, it appears to me that sections 103 and 104 of H.R. 16920 ought to be reconciled or clarified either in the bill itself or in the regulations issued thereunder.

Thank you, Mr. Chairman.

Mr. BURKE. Thank you very much.

(The following statements were received for the record:)

STATEMENT OF HON. RICHARD B. OGILVIE, GOVERNOR, STATE OF ILLINOIS

Mr. Chairman: I welcome the opportunity to submit my remarks in support of the Trade Act of 1969 (H.R. 14870). We in Illinois have a deep interest in this legislation; the direction this committee takes today in setting policy concerning international trade will likely affect both industry and labor in our state for the next several years.

Illinois leads the nation in export shipments of both agricultural and manufactured products. One fifth of Illinois agricultural products are sold abroad. Thousands of Illinois jobs are dependent in whole or in part on international trade. Illinois businessmen and farmers are well acquainted with world markets, and consequently they are vitally concerned with government policies which directly affect the climate under which their trade either flourishes or diminishes.

As Governor of the State of Illinois, I know firsthand the important role which international trade plays in our state's economy. Therefore, I would like to submit to the committee our evaluation of the Trade Act of 1969 and point out some of the aspects of this legislation which are of particular importance to our state.

Let me say first that Illinois is well aware of the two-way aspect of international trade and investment. As an international transportation hub, we in Illinois know how important it is to have our ships, trains, and airplanes as fully loaded upon arrival as at the time of their departure. Likewise, we realize the important role of foreign investments in Illinois. Foreign capital and technical know-how have made a significant contribution to the economic growth of our state during the past decade. Foreign imports feed both our manufacturing and consumer markets. Import quotas by the U.S. which would lead to retaliation by other nations would, in the long run, reduce the sale abroad of products of Illinois and other states.

Nevertheless, we have known specific cases where imports have cut deeply into the local production and disrupted local business. We welcome, therefore, that portion of the legislation which liberalizes the criteria by which U.S. firms can receive adjustment assistance. We in Illinois believe that if provided timely and effective assistance, these firms will be able to cope with changing market conditions and continue to prosper in our growing economy. In addition, those workers who have been forced out of jobs as a result of rising imports must be assisted in finding new positions and aided in their effort to upgrade their skills to meet new opportunities.

We view additional federal adjustment assistance as the necessary input which will make possible a continuing relaxation of barriers to international trade. The tax relief, modernizing loans, and technical assistance which are provided for in this legislation must be made available to local businessmen on a timely basis or they lose their usefulness. Delays and uncertainties in the past have been detrimental to companies in Illinois who have needed such assistance. The State is prepared to fully cooperate with the federal government in administering these assistance programs. Up to this point it has fallen largely upon the state to assist local companies in making the necessary adjustments. Therefore, we welcome the new federal initiative which comes at a time when limited state resources are already being stretched to the breaking point.

The state's effort to assist companies in upgrading their technology is not limited to those firms which have suffered from import competition. We have attempted through a number of programs to help Illinois industry maintain its pre-eminent technological position in national and world markets. May I suggest, Mr. Chairman, based on our State's experience in this area, that the federal adjustment assistance programs referred to in the Trade Act of 1969 be structured to enable firms to react to changing market conditions before their markets are already gone. Our effort in Illinois is not to sustain outdated operations but to build new and dynamic industries which will contribute to the overall economy of the state and the nation.

Another important aspect of this legislation which we support wholeheartedly is the provision which strengthens the Administration's attempt to eliminate discriminating nontariff trade barriers which prevent U.S. products from competing on an equal basis in foreign markets. We applaud Secretary Stans' action in this area to date, and we sincerely hope that the Congress will provide the President with the power he has requested to continue seeking the elimination of these barriers to freer international trade. In this regard we find that there is no alternative to the elimination of the discriminatory American Selling Price (A.S.P.) system if we are to expect future concessions from our trading partners abroad.

An important aspect of this bill is the proposed amendment to the escape clause mechanism in U.S. trade legislation which would permit the President to increase tariffs or otherwise impose restrictions if it is found that increased imports are causing or threatening to cause serious injury to a domestic industry. The proposed amendment, which we support, will liberalize the eligibility requirements for firms by reducing the test for import injury from "major" factor to "preliminary cause" and would also eliminate the need to establish a causal link between an increase in imports and previous tariff concessions.

In testimony before this Committee on May 13 the Treasury Department proposed changes in the tax law which would permit U.S. firms to form Domestic International Sales Corporations (DISC) for the purpose of deferring export income as is currently the practice for foreign subsidiaries of U.S. companies. I would like to add my endorsement to this proposal which introduces an exciting

new element into the export promotion effort. Illinois firms feel that, if implemented, this proposal will encourage them to seek new export opportunities.

I would also like to take this opportunity to express my support for the Trade Simplification Bill (S. 3142) which has been submitted to Congress by the President. This legislation, which endorses the use of a through Bill of Lading, is of vital concern to Illinois where truck and train, supply ship and airplane with cargo destined for every country in the world. The consolidation of as many as a dozen of the most troublesome forms through one comprehensive document will permit rapid through shipments of goods for items leaving from Illinois airports and waterways. While this legislation is not before the Committee at this time, it bears close relationship to the effort of this committee to develop a rational an comprehensive approach to international trade policy, and I would hope that Congress would take action on this legislation as soon as possible.

Mr. Chairman, the emerging trade patterns of the 1970's are sure to offer a challenge to our business, farm and labor communities, but I am confident that they are equal to the task. It remains the important function of the Federal Government to help build the international trade climate which will best serve this growth.

At the same time it is the task of both the State and Federal Governments to encourage greater export activity on the part of its businessmen and farmers, and in this regard the State of Illinois can point with pride to a number of programs which are contributing to this effort.

Through our Department of Business and Economic Development, which has representatives in Springfield, Chicago, and Marion in Illinois and in Brussels, Belgium overseas as well as in Washington, D.C., Illinois companies are being introduced to export markets throughout the world. By sponsoring trade missions, supplying trade leads, and providing export counseling both here and abroad, this State agency is contributing significantly to the capabilities of Illinois firms to compete successfully in world markets.

We are seeking to cooperate closely with both the U.S. Departments of Commerce and Agriculture in our promotional effort, and we welcome the new attention which these agencies have been giving to the problem of federal-state relations in this field where we share important common objectives. A newly-created Mid-America International Agri-Business Trade Council combines the efforts of twelve midwest states and the U.S. Department of Agriculture in a joint program to increase exports of agricultural products from mid-America. We encourage these new initiatives and anticipate even closer cooperation with the Federal agencies in the future.

In closing, Mr. Chairman, we strongly urge that the Trade Act of 1969 be favorably reported out by your Committee without amendments which would weaken it and that it be enacted into law without undue delay. In this way, the ground will be laid for continued progress in this important sector of our economy.

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STATE OF WASHINGTON,
OFFICE OF THE GOVERNOR,
*Olympia, May 27, 1970.*

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.*

DEAR CONGRESSMAN MILLS: With reference to your Committee's hearings on proposed U.S. foreign trade legislation, I am pleased to submit the attached statement for your consideration.

On several occasions in recent years, I have gone on record in support of unrestricted international commerce with a minimum of trade barriers. The enclosed statement essentially reiterates my position of 1968, when I submitted a similar brief to your Committee.

Intenational trade is vital for the State of Washington and has set new records during each of the past six years. In 1969, Washington State's trade surplus contributed substantially to the improvement of the Nation's balance-of-payments position.

In view of the importance of export trade for our State's agriculture, industry, and service sectors, we would deplore new legislation restricting the free flow of goods among free nations. This would invite similar action by our trading partners and eventually might have a disastrous effect on world trade.

Sincerely,

DANIEL J. EVANS, *Governor.*

## WASHINGTON STATE—OUR INTERDEPENDENCE WITH U.S. FOREIGN TRADE POLICY AND PERFORMANCE—POSITION PAPER, SUBMITTED BY: DANIEL J. EVANS, GOVERNOR, STATE OF WASHINGTON

### SUMMARY

Interdependence, equilibrium, balanced growth—these are the key concepts in federal, state, and local government bodies concerned with the construction and maintenance of a prosperous environment.

In Washington State, foreign trade is an increasingly important component of that environment and as our State's government, we are increasingly concerned and involved with securing its vitality.

Foreign trade helps support our standard of living and our export performance supports the nation to an extent far out of proportion to the size of our population and our voice in Congress.

Throughout our history, the phenomenon of free *interstate* trade, travel, and investment has made an indispensable contribution to the prominence and wealth of the United States and Washington State. For our future, the continued growth and liberalization of *international* trade, travel, and investment is of equal importance.

Any contribution that these hearings will make to the continuation of a progressive and positive rather than restrictive U.S. foreign trade policy will be in our vital interest.

We shall recount our performance and policies and submit proposals designed to lead to closer federal/state cooperation in devising national policy and developing new and expanded markets.

### "FEDERAL-STATE": CONFLICT OR COOPERATION

This country's spending abroad over the years has resulted today in depletion of our gold reserves and our debts abroad now far exceed the value of our gold back-up reserves. A run on the bank by our foreign creditors would put us into dire straits. Such a development may not be likely—but it is possible. The very existence of this possibility continually threatens the U.S. dollar.

Various proposed solutions deal with possible means to restrict the outflow of dollars and increase our earnings. In the first category, we could limit imports, limit foreign travel, reduce foreign aid, restrict investments abroad, and curtail our military presence abroad. In the second category, we could boost exports, attract more travellers and investors, increase repatriation of profits from our investments abroad and further tighten our procurement requirements.

It is important to note that of all the measures mentioned, only three are positive and expansive: export development and inducement of foreign travel to and investment in the U.S.A. All other measures mentioned in both categories are immediately restrictive and eventually contractive. Furthermore, only those three expansive measures fall at least partly within the jurisdiction and competence of the individual states. In fact, it is to a large extent up to the individual states to produce increased exports, travel inducements, and a favorable investment climate. The federal government could work at cross purposes to these efforts through implementation of the restrictive measures mentioned earlier—all of which fall outside the control of the states individually.

The federal government can contribute passively to the states' export performance by refraining from implementing such national cost-saving devices that would exert restrictive pressures on trade, investment and travel. On the other hand, our federal government can contribute constructively through continued sincere and consistent effort to further liberalize international trade and further promote streamlined and responsible trade and business practices.

Our federal government can also substantially aid the states in their efforts through the provision of a national umbrella of policy, cost reductions and tax incentives such as the recently introduced Domestic International Sales Corporation Proposal, as well as the continued and expanded services of the various departments and bureaus (Commerce, State, Agriculture, Census) in supplying foreign market data, business contact opportunities, and market intelligence.

### WASHINGTON STATE FOREIGN TRADE: PERFORMANCE AND POTENTIAL

For Washington State, 1969 was a record year in several ways. International trade moving through Washington's Customs District reached an all-time high.

Exports recorded an increase of 9.8 percent over 1968. As late as 1959, there was still a trade deficit, with imports exceeding exports. Now Washington is responsible for almost a third of all Pacific Coast exports—and still gaining.

Since 1966, the State has been among the top ten exporting states in the Union and ranks among the top three fastest growing exporters in the nation. Last year, our State turned out an over $2.6 billion foreign trade performance and produced more than $350 million dollars in trade surplus for the U.S.A. With no more than one sixtieth of the country's population, our export performance is ten times the national average on a per capita basis.

The rapid development of containerization, the concept of the sea-land transportation bridge, the burgeoning world need for sophisticated sea/air/land transport and handling systems for both freight and passengers, the streamlining of shipping and travel procedures, the scarcely tapped potential of oceanographic exploration and exploitation, the desperate need in much of the world for better nutrition—each of these areas represent a pressing need and an exciting potential. Washington State's increasing stature as a Pacific Northwest and national pacemaker in many of these areas is reflected dramatically in our foreign trade performance, benefiting our State, our country, and our trading partners. Yet, we have really only scratched the surface in realizing the potential.

WASHINGTON STATE FOREIGN TRADE: OUR STAKE

Today, foreign trade contributes substantially to Washington State's economic growth and prosperity. For example, we found that Washington State exports fully support the living standard of the equivalent of more than a hundred thousand households. But our growth momentum has to be maintained: our stakes are too high. Let's look at two of our better known export products: aircraft and wheat. Without foreign markets, our commercial aerospace industry would be much more cyclical than it is today. Without exports, where would we sell our Washington wheat? Supporting industries and services would be severely affected, even disappear. A good part of our standard of living now directly or indirectly supported by foreign trade revenue and profits would painfully evaporate.

THE NATION: TROUBLED TIMES AHEAD

1969 was a banner year for Washington State international trade. Two-way trade shipped through Washington's Customs District increased to $2.6 billion, with exports exceeding imports by $350 million. Nationally, it's quite another matter and the dollar outflow continues. An unrelenting wage-price spiral has more than cancelled productivity increases. Inflation and industrial complacency have eroded our export competitiveness and swollen industrial and consumer imports until, today, the national trade surplus has almost melted away.

FOREIGN TRADE POLICY: FEDERAL/STATE INTERDEPENDENCE

With the advent of air cargo, all states become "international ports" in the strict sense of the word. However, those states with seaport facilities have a more direct and vital interest in U.S. foreign trade policy and the few seaport states with deepdraft capability and backup land, of which Washington is one, must play an ever bigger role in future foreign trade and policy. Our stake has become such that we as a State can no longer afford to leave the formulation of a national trade policy entirely to our federal government; there, too, we have to be innovators. Our policies have to be as modern and dynamic as the technology of our free enterprise society, if we are to maintain our hard-won position and momentum and expand our contribution to the national effort.

Most of our major markets are basically healthy, yet most all are under increasing inflationary pressures and can be expected to intensify efforts to balance their own international transactions. On the whole, import demand overseas will continue to build in 1970, but with most of these countries running trade deficits already, we will have to work hard to even maintain our current meager trade surplus. In effect, measures to increase exports and lessen the U.S. balance of payments deficits through restrictions on imports could *quickly provoke retaliatory action* from our major trading partners, exercising their rights under the G.A.T.T. The result could be a general contraction of international trade. A rising trade surplus from increased exports has been counted on to help achieve a payments equilibrium. This would be impossible to attain in a world of trade restrictions.

FOREIGN TRADE POLICY: SOME PROPOSALS

State governments are finding themselves increasingly concerned with what appears to be a developing turmoil of confusion and conflict between national policy and regional interest. As our state's spokesmen, we are prepared to participate constructively in a fruitful federal/state discourse on such matters of vital interest to all of us. While our private enterprise supplies the ammunition for our efforts, we can supply the advance troops. We have a State Department of Commerce and Economic Development with an Office of Foreign Trade and a Business and Economic Research Division. They stand ready to promote trade contact, initiate studies and proposals, support national programs, share the responsibility. It is in these middle areas of coordination and liaison that we in Washington State Government feel we may most constructively aid our local and regional interest and the national aim as well. We have formulated a ten-point program proposal for trade development and federal/state cooperation and coordination.

1. "We will continue and intensify our efforts to locate foreign markets, analyze their potential, coordinate trade contact, and promote exports.

2. "We will research and promote additional 'sister-community' concepts suitable to mutual development of trade, educational exchange and cultural exchange.

3. "We will develop research assistance and planning coordination for our ports' expanding efforts to prepare for tomorrow's sophisticated passenger and freight transportation systems.

4. "We will continue and expand our efforts to research and coordinate the development of resources, land-use, and facilities designed to create an increasingly attractive climate for both investment and tourism.

5. "We will welcome and assist continued and closer cooperation and exchange with the various federal intelligence gathering, fact-finding and information dispersing agencies, such as the Department of Agriculture, Department of Commerce Field Offices, Bureau of the Census, and the Department of State and its foreign service.

6. "We will actively participate in national efforts for the promotion of international trade, travel, investment, and cultural and educational exchange. We do not favor policy restrictions in these areas, beyond those pertaining to national security.

7. "We will explore and develop the possibility of increased trade with less developed and so-called soft-currency countries through the instrument of whole or partial 'trade in kind' or barter, be it in goods, services, or both. It is here that the triangular service function of state government can come prominently into play.

8. "We will expand our efforts, as a state government, to give Washington State a face abroad; an image and identity, as an economic entitty justly proud of its unique products and features of interest to traders, tourists and investors. This may be accomplished through publications, personal contact, sister community projects, and increased participation in U.S. or international exhibits abroad. Our Foreign Trade staff will increasingly be called upon to represent, under the umbrella of a state exhibit, many smaller firms new to exporting or otherwise not sufficiently equipped to participate individually.

9. "We wish to participate in the formulation of a policy whereby the federal government offers a federal/state share or matching formula on various taxes or incentives to exporters, foreign investors and foreign visitors, utilizing the best features of comparable programs in effect in many countries.

10. "In general, we wish to suggest increased constructive state government participation in the formulation of national policy regarding matters of international trade, travel, and investment."

CONCLUSION

It is our intense hope to make a contribution to the formulation of a progressive long-range U.S. foreign trade policy. At least twenty-six states now have staff personnel designated to deal with foreign trade matters. A number of these states make a substantially above average contribution to our national trade performance. Any significant change in federal policy regarding exports, imports, travel or investment affects these states most immediately and severely. Washington State, as one of this group, is prepared to be an active partner with the other states and the federal government in the determination of matters and policies which affect us so deeply.

International trade cannot exist except for the principle of reciprocity. We cannot justly call for liberalization of trade without forcefully stressing the necessity for other countries to join with us in our efforts to achieve reciprocity in all trading practices and regulations. After the conclusion of the "Kennedy Round" of GATT negotiations, the major area of concern has become the equalization of non-tariff barriers, a natural opportunity for cooperation between the federal government and Washington State pertaining to specific commodities and market areas.

A new framework of federal/state cooperation and coordination in matters of international trade policy, trade practice and trade promotion would be most helpful, but it will take all of our efforts to maintain our momentum, preserve our stake, and reap our future foreign trade potential. Foreign trade may well mean the difference between prosperity and stagnation, in the near future.

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STATEMENT OF HON. E. Y. BERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

I am vitally interested in this matter of foreign trade and the limitation of competitive, cheap foreign imports coming into this country from areas where the labor is cheap and the cost of operating business, agriculture, and industry is cheap because of the fact that the importing country's defense needs are out of balance with our defense needs.

Mr. Chairman, as the leading nation of the free world, we have become obligated to defend, or partially defend, the balance of the free world. The problem with our trade policy is that we try to carry this burden of defending the nations with which we trade, but we do not ask them to contribute to their own defense.

The end result is that because of this tremendous obligation that is placed upon us, the cost of which must be reflected in everything we sell and everything we import, we cannot hope to compete with the other free countries who do not have this burden.

It has gotten to the place where either we place an import tax upon the imports from these various countries somewhere equal to the cost to us of their defense, or we place quotas upon imports from these countries in order that our domestic industries may have an opportunity to survive. Mr. Chairman, this applies not only to shoes and textiles, but it applies equally to imports of beef, lamb, mutton, wool, and minkskins, as well as dairy products and other agricultural commodities.

Because of the fact that the bureaucrats in their various departments seem to be obsessed with the idea that consideration of the taxpayers' rights is not material and that we must be a good neighbor and permit excessive imports, I think it is incumbent upon Congress to place import quotas on these many products. So far as beef, wool, and lamb are concerned, the quotas that are now in effect should be drastically cut if the agricultural industry is to be protected.

A great hue and cry comes up whenever talk of a subsidy to agriculture is mentioned. Mr. Chairman, give domestic agriculture the right to produce just the major portion of the food that is consumed in this country, and agriculture wants no subsidy. Agriculture will stand on its own feet without government subsidies if it is permitted to produce the bulk of what is consumed, but so long as it is the policy of this government to open the doors of trade and allow foreign countries to compete with the domestic producer of food and fiber, then there must be some sort of a subsidy provided to offset the competitive imports that are pouring into the nation at this time.

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STATEMENT OF GUY F. TOZZOLI, SECRETARY GENERAL, THE WORLD TRADE CENTERS ASSOCIATION, INCORPORATED

Mr. Chairman, Members of the Committee: I am Guy F. Tozzoli, Director of the World Trade Department of The Port of New York Authority. In that capacity, I am responsible for The World Trade Center project now under construction in lower Manhattan. I am also Secretary General of The World Trade Centers Association, Incorporated, consisting of organizations around the globe involved or interested in the establishment of world trade centers.

On behalf of the membership of the World Trade Centers Association, I want to express my strong support for freer trade among all nations of the world. Specifically, I endorse the efforts of government and business organizations in the United States in their endeavors to lower existing barriers to freer trade.

WORLD TRADE CENTERS ASSOCIATION DESCRIBED

The world trade center has emerged in recent years as a modern instrument to facilitate international commerce by concentrating in one efficient setting all the services, agencies, individuals and information needed for the conduct of world trade. At present, there are over 40 organizations involved in establishing world trade centers in countries around the world. They number among their tenants and prospective tenants governmental agencies, foreign trade development centers, importers, exporters, transportation agencies, freight forwarders, customs brokers, and international law, finance and insurance agencies—in short all the services and agencies involved in the flow of trade.

With the growth of world trade centers, there arose an imaginative idea to link these nerve centers of commerce together in an international network, and the World Trade Centers Association was established. Membership in the Association is open not only to world trade centers but also to world trade libraries, world trade center clubs and exhibit facilities, and to other trade groups, such as international units of chambers of commerce. The Association's membership now includes 25 organizations from Belgium, Canada, Denmark, France, Japan, The Netherlands, New Zealand and the United States.

The Association's purpose is to encourage expansion of world trade; to promote international business relationships and understanding among nations; to foster increased participation in world trade by developing nations; and to create and encourage mutual assistance and cooperation among members.

FREER TRADE CRITICAL TO TRADE EXPANSION

In the past decade, the total value of world trade has increased from $113 billion to $250 billion. It has been estimated that over the next ten years, the volume will double again to reach the $500 billion mark. This kind of growth means opportunity for all—for the established and the developing trading nations, the experienced and the new international businessman.

In an age of growing international interdependence, trading nations must reject national trade policies which are protectionist, and work towards the achievement of a world marketplace where nations can freely compete. Barriers to tarde in the form of tariffs and other restrictive regulations give rise to retaliative measures by trading partners, creating a never-ending destructive cycle. Through remedial domestic policies, which help native industries and workers adjust to import competition, nations can progress towards freer international trade on an equitable basis. The nations of the world can no longer isolate themselves by becoming inward-looking economic entities but should work towards the further development of freer trade among all countries. As one of the leading trading nations, the United States should make every effort to develop a program which will promote international trade and lead to international understanding. The development of such a program requires forward-looking legislation and cooperation on the part of business and government.

The World Trade Centers Association is eager to cooperate with governmental and private agencies in every appropriate way to further international trade and understanding.

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CALIFORNIA STATE CHAMBER OF COMMERCE,
*Sacramento, Calif., April 16, 1970.*

Re: Trade Act of 1969
H.R. 14870 (Mr. Mills).

Hon. WILBUR D. MILLS,
*Chairman, Ways and Means Committee, House of Representatives, House Office Building, Washington, D.C.*

DEAR CHAIRMAN MILLS: The World Trade Committee of the California State Chamber of Commerce has reviewed the provisions of the Trade Act of 1969 introduced by you at the request of the Administration. The Board of Directors of the State Chamber, acting upon the recomendation of the World Trade Committee, voted to support the Trade Act of 1969 as introduced.

H.R. 14870 would provide the Administration with congressional guidelines and authority for the negotiation of international trade agreements. It authorizes the President to make modest reductions in U.S. tariffs and impose duties or other restrictions on the products of nations which place unfair restrictions on United States' products. It broadens escape clause and adjustment assistance provisions in order that domestic adjustments may be made.

Non-tariff distortions of trade imposed by the trading nations of the world restrict international commerce, encourage retaliation and can foster trade wars. The United States should continuously negotiate with its trading partners for the elimination of such trade barriers imposed on the products of other nations. The American Selling Price System, a major irritant to our trading partners, is repealed by the Trade Act of 1969.

The California State Chamber of Commerce commends you for introducing H.R. 14870, and we will do what we can to assist you in developing support for this legislation. The Chamber believes that H.R. 14870 is based on sound principles and will improve our trade relations with other nations.

It will be deeply appreciated if you will make this letter a part of the record and enter it as testimony at the time hearings are held by the Ways and Means Committee on H.R. 14870.

Sincerely,

ERNEST J. LOEBRECKE, *President.*

THE ISSUE: TRADE ACT OF 1969—H.R. 14870

(Introduced by Wilbur D. Mills (Ark.) for himself and John W. Byrnes (Wis.) at the request of President Richard Nixon)

THE STATE CHAMBER'S POSITION

The California State Chamber of Commerce supports H.R. 14870

*Provisions: Basic features include*

1. It provides the President with authority to make modest tariff reductions. The reductions may not exceed 20% over a four year period.
2. It eliminates the U.S. American Selling Price System of customs valuation.
3. It liberalizes the escape clause principle by authorizing relief whenever increased imports are the primary cause of actual or potential serious injury.
4. Firms and workers are eligible for adjustment assistance when increased imports are found to be a substantial cause of actual or potential serious injury, and adjustment assistance may be made available to separate units of multi-plant companies and to groups of workers in them, when the injury is substantial to the unit but not to the entire parent firm.
5. Existing provision in the Trade Expansion Act of 1962 authorizing the President to impose duties or other import restrictions on the products of any nation that places unjustifiable restrictions on U.S. agricultural products is extended to cover unfair actions against *all* U.S. products, and provides new authority for the President to take appropriate action against nations that practice what amounts to subsidized competition in third-counry markets, when that subsidized competition unfairly affected U.S. exports.
6. It provides specific appropriation funding for the U.S. participation in the General Agreement on Tariffs and Trade, heretofore financed through general contingency funds.

*Background*

President Nixon's "Trade Act of 1969", if enacted into law, would be the first major trade legislation since the Trade Exapnsion Act of 1962 which gave the President the now expired tariff reducing authority used in the Kennedy Round negotiations. Without the enactment of this or similar legislation the U.S. does not have any guiding principles with respect to its international trade posture and the President is without the authority required to conduct intelligent and effective trade negotiations with foreign nations.

No major tariff negotiations of the magnitude of the Kennedy Round are contemplated in the immediate future, but the modest adjustment provisions in the proposed Act would enable the U.S. to offer tariff reduction on a quid pro quo basis or to offer tariff reductions on one product in compensation for an increase in the tariff on another.

The American Selling Price System was enacted in 1924 to assist in the development of the domestic Benzenoid chemical industry. U.S. export of Benzenoid chemicals now exceeds U.S. imports. Although the system applies only to a very few American products, it is viewed by foreign countries as a major symbol of American protectionism. The elimination of the American Selling Price System will improve the opportunities to negotiate the elimination of non-tariff barriers maintained by other countries, and will also bring immediate reciprocal reductions in foreign tariffs on U.S. exports and the elim-

ination of certain nontariff barriers which have already been the subject of prior negotiations.

Liberalization of the escape clause and adjustment assistance provisions will enable the U.S. to make domestic adjustments whenever international trade policy works a hardship on specific industries. This will reduce some of the pressure exerted upon the government for the imposition of high protective tariffs, quotas or other devices to protect U.S. industries against imports. The Act will give the President power to take immediate action against countries discriminating against U.S. industrial exports. The power to retaliate against unfair restrictions on our exports, combined with the power to make modest tariff adjustments and to eliminate the American Selling Price System, will give the U.S. Government the desired flexibility to conduct meaningful international trade agreements with the nations of the free world.

The Trade Act of 1969 continues the course of U.S. trade policy toward freer trade, making modest but significant improvements based upon past experience with the Trade Expansion Act of 1962. The Bill is well-balanced and should provide the U.S. Government with a workable law to guide its trade negotiations with other nations.

Prepared By: World Trade Department. For further information contact: William H. Barton, Director, World Trade Department, California State Chamber of Commerce, 455 Capitol Mall, Suite 300, Sacramento, California 95814, Telephone (916) 444-6670.

CALIFORNIA STATE CHAMBER OF COMMERCE

WORLD TRADE COMMITTEE

Dr. Robert R. Dockson, Chairman
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STATEMENT OF NEW YORK CHAMBER OF COMMERCE, SUBMITTED BY THOMAS N. STAINBACK, EXECUTIVE VICE PRESIDENT

When President Nixon sent the Administration's proposed Trade Act of 1969 to Congress, it was accompanied by a message in which he commented on the

changing patterns of world trade. He stressed three factors requiring the continued modernization of United States trade policies: 1) World interdependence has become a fact; 2) A number of foreign countries now compete fully with the United States in world markets: 3) The traditional surplus in the United States balance of trade has disappeared. He made a fourth point relating to the need of the less-developed countries for access to the markets of the industrialized countries in order that their economic development proceed satisfactorily. This subject, not dealt with in the Trade Bill is to be the focus of future legislation submitted to Congress. In commenting on the Trade Act of 1969, he stated that although modest in scope, it would be significant in impact and would continue the general drive toward freer world trade. He explicitly recognized that while seeking to advance world interests, United States trade policies must also respect legitimate national interests.

At the same time that Congress as a whole is considering the Trade Act of 1969 (H.R. 14870), the Subcommittee on Foreign Economic Policy of the Joint Economic Committee, chaired by the Honorable Hale Boggs, is engaged in a year-long study of the whole spectrum of issues that comprise our international economic policy. Initial hearings were held in December, 1969 and a record of these hearings has already been published. The second session of hearings was held in March 1970. Additional hearings on trade policy toward less-developed countries will be held in May, 1970, and there is a tentative plan to hold hearings on United States foreign investments and their relationship to international trade, in July 1970.

The President's Office of the Special Representative for Trade Negotiations has called upon the trading community to participate in the Government's study by expressing its views on trade and investment policy at these hearings.

While the President's message and his trade bill, as well as the hearings before the Subcommittee on Foreign Economic Policy, are characterized by an essentially liberal attitude, there has been a noticeable change in the country's attitude towards liberal trade policy.

Congress has been inundated with score of bills of a protectionist nature designed to stop, or to impede, the flow of various imports into the United States. Roughly two-thirds of these bills would accomplish their purpose by imposing quotas or other non-tariff restrictions on imports. Concurrently, inflation and rising prices have lessened the competitiveness of United States exports around the world. Imports have increased and the surplus in our balance of trade has disappeared. Labor, which traditionally has been substantially in favor of a liberal trade policy, has begun to reconsider the issue. Leaders of labor have expressed serious concern over the effects of the current import surge on United States industry.

More alarming than the trends adverse to traditional liberal trade sentiment has been the strident confrontation between the United States and the Common Market engendered principally by the EEC's common agricultural policy, and more recently, by the commercial trading arrangements made with certain Mediterranean countries which appear to violate the "most favored nation" clause of GATT by which the United States has conducted its trade policy over the last thirty years.

Equally strident and currently even more serious are the confrontations between Japan and the United States over our demand for voluntary quotas on all textiles. Congress threatens to impose mandatory quotas unless Japan acquiesces to our demands. Moves for mandatory quotas will almost certainly ensue when hearings open on the Administration's trade agreements bill in the House Ways & Means Committee, probably in mid-May. Our officials maintain that the Japanese are being uncooperative in their reluctance to accept the proposal that they voluntarily restrain exports of wool and man-made textiles. For their part, Japanese officials have repeatedly offered to consider selective quotas when presented with evidence of import injury to American producers. But by all indications Washington officials have been unable and/or unwilling to offer such evidence. If no common ground can be found and mandatory quotas are passed by Congress, there is a distinct possibility that world trade may again be headed back toward the proliferation of trade barriers and retaliation which characterized the conduct of international trade following the passage of the Smoot-Hawley Tariff Bill.

With this as a background the Foreign Commerce and Affairs Committee proposes that the Chamber endorse the following positions on trade policy.

(1) That the negotiating authority of the Trade Expansion Act of 1962 be extended for three more years for the purpose of fulfilling the obligations of

the United States under GATT and carrying out the agreements which have been made in recent trade negotiations.

(2) That the criteria for adjustment assistance to individual firms and employees under Title III of the Trade Expansion Act of 1962 be liberalized and made more workable.

(3)* That retention of the ASP method of customs valuation is inconsistent with efforts to eliminate other non-tariff restrictions on imports and should be abolished. Congress, in considering this matter, should give full consideration to the total impact of tariffs and non-tariff barriers in Europe and other industrialized areas which impede imports of benzenoid chemicals and other chemical products into their markets.

(4) That the United States participate with other industrial countries in a program of preferential tariff treatment for less-developed countries, provided certain qualifications are met. Any such program of preferential treatment should take into account the extent to which modern industrial facilities have ben established in less-developed countries which may enable their industries to compete in international markets without preferential treatment.

## TRADE ACT OF 1969

### NEGOTIATING AUTHORITY FOR TRADE AGREEMENTS

The President's negotiating authority under the Trade Expansion Act of 1962 expired on July 1, 1967, following the successful conclusion of the Kennedy Round of Tariff Negotiations. The Chamber advocates the granting of renewed authority of the President for a three-year period to reduce tariffs by an additional 20% or two percentage points ad valorum below the rate on July 1, 1967. Moreover, the President must have authority to adjust tariffs under particular circumstances, for example, when Escape Clause action is warranted.

If the United States is unable to give compensatory tariff reductions in such instances, retaliations may be expected from other countries which under GATT would have the right to raise duties on United States exports. This places the United States in an essentially negative position. It also tends to restrict international trade, and United States exports in particular.

On broad policy grounds, we deem it important that the United States continue the pursuit of trade liberalization.

### GENERAL AGREEMENT ON TARIFFS AND TRADE

The Chamber, recognizing the importance of GATT to the international trading community, supports authorization of annual appropriations to finance the United States contribution to the budget.

This authorization would regularize our participation in the GATT and would have the psychological effect of giving Congressional recognition to an agreement which is basic to our international position and which has proved to be beneficial.

### FOREIGN IMPORT RESTRICTIONS AND OTHER DISCRIMINATORY ACTS

Section 203 of the bill deals specifically with these problems. The Chamber holds that unfair competition should be identified and eliminated from international trading relations. Dumping, export subsidization, and the maintenance of import quotas not justified by a country's actual balance of payments are inconsistent with the spirit of GATT. Present GATT rules, if fully used, provide some protection against such acts. The United States has not in the past made sufficient use of existing avenues within GATT and under our protective statutes to guard the interests of its importers and exporters. We urge that the United States pursue vigorously every possible means to eliminate unfair competition.

*It should be noted that a member of the Committee on Foreign Commerce and Affairs submitted a Minority Report on Point 3 (and related discussion under the heading—American Selling Price—on Pages 5 and 6 of this Report which was adopted by a majority of the members at the New York Chamber Monthly Meeting on June 4, 1970.) The Minority Report urged elimination of these references to ASP; thereby calling for continuation of the ASP method of customs valuation in its present form.

The Minority Report asserted that the proposal referred to in Point 3, if enacted by Congress, would be injurious to a segment of the Chemical Industry located in the U.S., and this segment would not be compensated by the lower tariffs for the U.S. exporters of chemicals or other products as now provided in the proposed Supplemental Agreement.

TARIFF ADJUSTMENT AND ADJUSTMENT ASSISTANCE

As already stated, the Chamber believes in curbing unfair competition though it does not believe that fair competition should be subject to any restriction. Where it is deemed unacceptable to permit the burden of fair international competition to fall on particular industries or groups, any action taken to alleviate this burden should be exclusively domestic in nature and effect.

Accordingly, the Chamber has consistently supported the principle of adjustment assistance and believes that the provisions of the 1962 Trade Expansion Act could be liberalized to permit adjustment assistance to be given to industries and/or workers if increased import competition is related to prior tariff concessions or other United States Government actions. This acceptance of import competition is economically sound and provides an increment to national well-being. At the same time, it is just to assist those injured by such competition. In so doing, the Chamber cautions against the inherent dangers of indiscriminate use of this form of relief in a manner which could prolong the adjustment process, encourage inefficient industries or uneconomic production.

With regard to the bill's proposal to change the "escape clause" provisions to provide that the criteria for import injury be changed from "major cause" to "primary cause" the Chamber is favorable but repeats the caution expressed above.

AMERICAN SELLING PRICE

The American Selling Price method of customs valuation was set up originally to protect the infant benzenoid chemical industry after World War I when it was subject to unfair price manipulation by the European chemical cartel. Such a condition no longer exists, and the phenomenal growth of the American chemical industry over the 46 years since the Tariff Act of 1922 is evidence that the need for the American Selling Price System is open to serious question.

Furthermore, by abolishing the ASP tariff valuation system, the United States would receive the benefits of the "ASP package" negotiated at Geneva. Other industrialized nations, which regard this non-tariff barrier as an especially onerous and inequitable one, have agreed to reduce their duties on chemicals as a quid pro quo in addition to making certain other concessions regarding automobiles, tobacco and processed food products.

It is acknowledged that many in the United States chemical industry would like to retain the ASP method, contending that if the "ASP package" is enacted, the United States chemical industry will lose more than it will gain. It is also contended that, unlike the United States, where tariffs represent the only significant impediment to imports, non-tariff barriers—especially border taxes prevalent in Europe—more than offset all proposed tariff reductions. It is the opinion of the majority of the Committee that retention of the ASP method of customs valuation is inconsistent with efforts to eliminate other non-tariff restrictions on imports which are being made by the United States Government. It is suggested that Congress in eliminating ASP and establishing the standard method of valuation for setting tariffs on all chemicals, concurrently give full consideration to the total impact of tariffs and non-tariff barriers in Europe and other industrialized countries which impede entry of benzenoid chemicals and other chemical products into their markets to assure that the position of United States exporters of these products is not so prejudiced as to materially lessen the contributions which the chemical industry has made to our nation's favorable balance of trade.

PREFERENTIAL TARIFF TREATMENT FOR LESS-DEVELOPED COUNTRIES

It is the contention of the less-developed countries, as expressed by their representatives at UNCTAD meetings, that their exports cannot compete with those of the industrialized nations unless these nations grant them preferential tariff treatment. In the absence of such preferential treatment, it is contended, the disparity between their economic development and that of the industrial nations will continue to widen and the burden of foreign aid on the United States and other economically-advanced nations will correspondingly increase.

The Foreign Commerce and Affairs Committee is sympathetic to the plea of the less-developed countries for some form of preferential treatment; but it calls attention to the fact that preferential tariff treatment for any group of nations runs counter to the traditional New York Chamber trade policy in favor of expanded non-discriminatory trade, based on the most-favored-nation principle.

In its consideration of the present situation and the future outlook for the less-developed countries, the Committee agreed that their economic plight is deteriorating in relation to the developed countries. The Committee is particularly concerned about the deterioration which has occurred in the export trade of the Latin American nations as compared with other areas. As a group, these nations with which the United States has such close ties of friendship and commerce, have an unfavorable trade balance with the United States, which leaves them with insufficient resources to purchase badly-needed capital goods from the industrial nations and to service United States and other foreign investments. Furthermore, these countries do not have the benefit of the preferential arrangements that have been extended by Great Britain to members of the British Commonwealth and by Western European countries to former colonial dependencies in Africa.

The Committee advocates that Congress consider an international agreement extending temporary tariff preferences to developing countries on a non-discriminatory basis. However, if the United States is unable to reach agreement with other industrial countries on this non-discriminatory approach, it should consider extending such tariff preferences to all developing countries except those that choose to remain in existing preferential trade arrangements with industrial countries providing that certain qualifications are met.

The problems related to the granting of special preferences for the LDC's are numerous and intricate. Therefore, it is suggested that an international advisory board be established which would concern itself with issues such as the definition of a less-developed country and the establishment of an appropriate organizational structure to provide termination of that status. Review of specific LDC industries eligible for preferences would also fall within its competence.

In response to a broad program of preferences for their benefit the LDC's should make commitments regarding the liberalized flow of goods and capital into their own countries and the fair treatment of both.

NONTARIFF BARRIERS

As tariffs have been progressively lowered increasing attention has been focused on non-tariff barriers. The GATT has made a study of these in cooperation with OECD countries, and it is now working on a potential method of multinational negotiations in order to lessen or remove their impact. If the United States were to join in non-tariff barrier negotiations specific legislative action to remove them would be required in many cases. But, as the President stated, the nature of this action would not be clearly defined until negotiations had shown what was possible. Again, quoting from the President's statement, "this presents a special opportunity for the Congress to be helpful in achieving international agreements in this vital area. I would welcome a clear statement of Congressional intent with regard to non-tariff barriers to assist in our efforts to obtain reciprocal lowering of such barriers. It is not my intention to use such a declaration as a blank check. On the contrary, I pledge to maintain close consultation with the Congress during the course of such negotiations. . . . The purpose of seeking such an advanced declaration is not to by-pass Congress, but to strengthen our negotiating position. In fact it is precisely because our is a system in which the Executive cannot commit the Legislative Branch; that a general declaration of legislative intent will be important to those with whom we must negotiate." The Chamber concurs in these views expressed by the President.

LONG-TERM FUTURE

Many of the current discussions about trade matters center around immediate problems, such as the confrontation with the EEC over the common agricultural policy and the associate status of certain Mediterranean countries. Also prominent at the present time are the disagreements with the Japanese over our demand for voluntary quotas on all textile products. In order to look beyond these immediate problems in the field of international trade and investment, the President has stated that he will appoint a Commission on World Trade to examine the entire range of trade and investment policies, to analyze the problems that are likely to be faced in the seventies, and to prepare recommendations on what should be done about them. Such a commission would investigate not only imports and exports but also investments and balance of payments. The Chamber endorses this Presidential initiative and trusts that the Committee will be appointed in the not too distant future.

PROPOSAL OF DOMESTIC AND INTERNATIONAL SALES CORPORATION

A proposal is under active consideration within the United States Treasury for modification of existing United States tax rules relating to exports. The aim of the proposal *is to encourage United States exports by providing for deferral of Federal income tax on export profits.* It is contemplated that exporters would operate their export business through a domestic corporation, a new entity called a domestic-international sales corporation (DISC), which would act under United States laws and accounting systems and which could telescope existing foreign operations or put existing foreign sales subsidiaries under its ownership, where desired, by means of tax-free reorganizations.

The DISC proposal would remove certain tax disadvantages for exporting businesses in the United States as compared to foreign manufacturing subsidiaries of United States corporations and as compared to foreign suppliers, each of which may seek to supply the same foreign market. The DISC proposal is a reform designed to achieve equality and simplification by treating a domestic exporting subisdiary on the same basis as a foreign subsidiary so that United States tax on export income derived by the DISC would be deferred until the DISC distributes its income to its shareholders. So long as the domestic export corporation continued to earn qualified income and continued to invest in qualified assets in the proportions required, and also if no dividends are paid, no Federal income tax would be incurred.

The Committee records its support in principle for the proposal to permit United States businesses to establish domestic international sales corporations to achieve the purposes set forth above.

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NEW YORK, N.Y., *June 16, 1970.*

JOHN M. MARTIN, Jr.,
*Chief Counsel, Committee on Ways and Means,*
*Longsworth House Office Building, Washington, D.C.*

DEAR MR. MARTIN: I am a member of the Foreign Commerce and Affairs Committee of the New York Chamber of Commerce. It is my understanding that the New York Chamber today submitted to the Ways & Means Committee the statement of its Foreign Commerce and Affairs Committee on Foreign Trade Policy as approved by the membership of the Chamber at its meeting on June 4, 1970. The fact of a dissent as to the American Selling Price portion of that statement is noted in a footnote at page 3. However, the reasons for such dissent are not indicated. Therefore, in order to complete the record, I enclose a one-page summary of my principal reason for having dissented.

I would appreciate your placing this letter and the enclosed summary in the record of proceedings immediately following the statement from the New York Chamber of Commerce.

Very truly yours,

BRIAN D. FORROW.

SUMMARY OF PRINCIPAL REASONS FOR DISSENT TO NEW YORK CHAMBER OF COMMERCE STATEMENT OF COMMITTEE ON FOREIGN COMMERCE AND AFFAIRS

The position that ASP should be abolished is unrealistic and naive. The issue relating to ASP is not whether or not it is a good method of customs valuation or the nature of the protection it affords any segment of U.S. industry. The fact is that ASP has been the method of customs valuation used for nearly fifty years with respect to benzenoid chemicals and certain other products. The issue is whether or not to enact legislation which would adopt a particular agreement worked out by our trade negotiators at Geneva in 1967 as part of the Kennedy Round. The Supplemental Agreement must stand on its own. Since it does not provide reciprocal benefits to the parties involved, it should not be enacted.

Even if ASP were an undesirable non-tariff barrier, it does not make any bargaining sense for us to give it up unilaterally, without obtaining a meaningful concession from the other side. The so-called concessions that would be received if the agreement were adopted fall into 4 groups, three of which do not relate to chemicals. The three non-chemical "concessions" relate to automobiles, tobacco, and processed food products and are clearly of no consequence.

(1) The "concession" relating to automobiles—the road tax discriminates against high cylinder automobiles and is thus illegal under GATT. The Trade Expansion Act of 1962 [Section 252(a)(2)] specifically prohibted our negoti-

ators from paying compensation for the removal of such illegal barriers. Furthermore, the agreement merely indicates that the Europeans have to "set in motion" the constitutional procedures which would lead to modification of their automobile road taxes; they do not even have to enact any modifications.

(2) The "concession" relating to tobacco—a 25% reduction in the U.K. Commonwealth preference on tobacco is largely meaningless in trade terms since the United States has the British market as long as the Rhodesian embargo exists and cannot possibly compete once Britain resumes purchases from Rhodesia.

(3) The "concession" relating to processed food products—the Swiss have agreed not to restrict their imports of preserved or canned fruit which contain corn syrup. We have been exporting canned fruit with corn syrup to Switzerland for years. An agreement to permit what is already being done is hardly a concession.

Let us now look at the meat of the Agreement—the proposed chemical concessions. Enactment of the Supplemental Agreement would trigger additional 30% chemical tariff reductions by the U.K. and EEC; but it would also result in significant additional U.S. chemical tariff reductions over and above the 50% cuts made at the Kennedy Round. The chemical industry has studied this agreement in depth. It has concluded that enactment would not significantly increase exports, whereas the further reductions in U.S. chemical tariffs would result in a substantial increase in imports, thus worsening our already bleak balance of trade situation. The reasons why this European chemical tariff reduction is not meaningful are many, but relate primarily to the adoption by the EEC of a Common External Tariff and a Value Added Tax system. These have been raised so high that although the Europeans have already consented to a 20% tariff reduction, the average cost of entry on chemicals entering Germany and the Benelux nations turns out to be higher now than before the Kennedy Round.

The chemical industry is a progressive and aggressive internationally oriented industry. If the agreement were even remotely reciprocal, the industry would not be so strongly opposed to it. Since the non-chemical "benefits" are illusory, this agreement in reality only affects the chemical industry, its workers and communities in which they live and work. This effect is adverse and those affected are on record in opposition to the proposal. They include the Manufacturing Chemists Association, the AFL–CIO and dozens of union locals, individual chemical producers, state and local officials. This Chamber should also be opposed.

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WILKES CHAMBER OF COMMERCE, INC.,
*North Wilkesboro, N.C., May 11, 1970.*

Hon. WILBUR D. MILLS,
*Chairman, Ways and Means Committee, House of Representatives, House Office Building, Washington, D.C.*

DEAR CONGRESSMAN MILLS: It is our understanding that the House Ways and Means Committee, of which you are Chairman, is today beginning hearings relating to H.R. 14870.

Attached you will find a copy of a resolution adopted in February by the Board of Directors of the Wilkes Chamber of Commerce. This resolution is our official position on the Foreign Trade legislation now before your committee. We have reviewed H.R. 14870 and believe the bill, as presented by the Nixon Administration, should be reported to the floor of the House without great modification.

We would also like to urge you to conclude your hearings as soon as possible in order that the House might have the opportunity to act on this legislation before the end of the year.

Sincerely,

TOM OGBURN, *President.*

Enclosure.

OFFICIAL POLICY STATEMENT OF THE WILKES CHAMBER OF COMMERCE, INC.

FOREIGN TRADE

The Wilkes Chamber of Commerce, realizing the enormous underlying importance that international trade has for the stability of the world's economy, including the economic well-being of our own citizens, supports a program in which the United States Government would continue to strengthen trade agreements.

Such a program would stress the reasonable protection of our own agriculture and industry from destructive and unfair competition from abroad, as well as to stimulate a high level of international trade investment.

This program should seek to establish a workable tariff adjustment for industries and other assistance for firms and workers affected by imports. It should be designed to reduce or eliminate non-tariff barriers to trade. And it should provide or strengthen existing authority to take appropriate action toward the fair treatment of U.S. Exports.

A trade agreement program which would also provide for authority to take appropriate action to deal with unforeseen developments which might be injurious to domestic producers in the matter of imports as well as exports, should also be provided.

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STATEMENT OF UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW), LEONARD WOODCOCK, PRESIDENT

The UAW strongly supports the objectives of the Administration's proposed Trade Act of 1969 (H.R. 14870) insofar as it seeks to continue a policy of tariff reduction and to liberalize tests for entitlement to adjustment allowances for those adversely affected by the lowering of barriers to foreign trade. The President was certainly correct in his message on the bill when he said:

"The price of a trade policy from which we receive benefits must not fall unfairly on the few—whether on particular industries, on individual firms or on groups of workers."

"The price of a trade policy from which we receive benefits must not fall unministration's proposal needs to be kept in mind when considering the President's next words which were:

"As we have long recognized, there should be prompt and effective means of helping those faced with adversity because of increased imports."

To the degree that "we have long recognized that there should be prompt and effective means of helping those faced with adversity" it has been largely in theory rather than in practice. From passage of the Trade Expansion Act (TEA) in 1962 until November of 1969, the Tariff Commission refused to certify that any workers had been injured primarily because of tariff concessions, and no assistance was in fact given to any worker who was injured. Last November the Tariff Commission made its first adjustment assistance award to 600 United Steelworkers injured because of importation of transmission towers and tower parts in competition with those produced at two U.S. Steel plants, and welded pipe produced at an Armco plant.

In addition, such assistance as is available to workers is grossly inadequate. It is limited at most to 65 percent of the worker's own wage, and in many cases does not even approach that level. Thus, there is not even theoretical acceptance of the idea of full protection for those injured in the pursuit of policies in the national interest. The Administration does not propose to increase the levels of adjustment assistance. To the extent that protection is less than full, it is less than fully effective. The UAW urges this Committee to report a bill which provides the full protection to which workers are entitled. In stopping so far short of its own stated objectives, the Administration perpetuates an inexcusable disgrace which the nation should no longer tolerate.

The Administration is going in the right direction when it proposes to remove responsibility for determining eligibility from the Tariff Commission and give it to the President. This latter procedure worked well under the Automotive Products Trade Act of 1965, and the UAW is pleased that Secretary Shultz testified that he assumed a "somewhat similar procedure would be adopted under this legislation."

The UAW is also encouraged when Secretary Shultz testified that the Administration plans to submit specific additional amendments to the TEA providing services such as minor remedial medical or dental assistance, job coaching and educational services to assist individual workers, and we will be interested in examining those proposals when they are submitted.

But although the amendments proposed are desirable, they ignore one of the most glaring defects in the TEA—the failure to provide full protection for dislocated workers.

The UAW has three principal matters to which it particularly wishes to direct the Committee's attention:

1. The adjustment assistance provisions of the Automotive Products Trade Act of 1965 which expired insofar as the submission of new petitions for assistance are concerned on June 30, 1968, need to be revived, and changes comparable to those proposed in the Administration's trade bill (H.R. 14870) need to be made, authorizing adjustment assistance when operation of the auto agreement has been a "substantial" cause of dislocation even though not the "primary" cause.

2. As we have already indicated, the readjustment assistance available under TEA (which is also the measure of assistance provided under the Automotive Products Trade Act) needs to be improved so that workers qualifying for assistance are fully compensated for their lost wages and fringe benefits rather than, as at present, required to bear a large portion of the loss themselves.

3. If adequate provision were to be made for the protection of United States and foreign workers, both the United States and foreign countries stand to gain from continuation of Tariff Schedule Items 806.30 and 807.00 which encourage partial processing and manufacture of goods outside the United States, and repeal of these Items as proposed in H.R. 14188 would not be in the best interest of either the United States or other countries. The benefits of freer trade are too important to be lost through the failure of this nation to provide at a relatively low cost the full protection required for those who are injured. The UAW, however, cannot support continuation of these Tariff Schedule Items unless full and effective protection for injured workers is provided.

The remainder of this statement is a more detailed discussion of these three matters.

RESTORATION OF ADJUSTMENT ASSISTANCE UNDER AUTOMOTIVE PRODUCTS TRADE ACT

The Automotive Products Trade Act of 1965 provided that petitions might be filed for adjustment assistance under that Act during a period beginning after the 90th day following enactment and ending June 30, 1968. That Act implements the Agreement Concerning Automotive Products between the Government of the United States and the Government of Canada signed on January 16, 1965, by which the governments of both the United States and Canada undertook to eliminate tariffs formerly payable by manufacturers on automobiles and automotive products for original use imported into either country from the other. All such tariffs were eliminated effective January 18, 1965. It was originally thought that adjustment assistance would be necessary only during an initial transition period, and that all dislocation effects of the agreement would have ended by June 30, 1968.

It became evident before June 30, 1968, that the transition would not be completed by that date and that reallocations of production across the international border attributable to the trade agreement would continue to cause dislocation of United States workers. President Johnson was aware of the problem, and in Title V of his proposed Trade Expansion Act of 1968 asked Congress to extend the period in which petitions for assistance could be filed for three years—through June 30, 1971.

It is now apparent, however, that the existence of the trade agreement will continue into the indefinite future to contribute to reallocation of production of specific automotive products as between the two countries with consequent dislocation of workers. We therefore believe that the Administration's proposed Trade Act of 1969 (H.R. 14870) should be amended so as to provide for deletion of the entire phrase "and before July 1, 1968" from Section 302(a) of the Automotive Products Trade Act so that the section will read:

"Sec. 302(a) After the 90th day after the date of the enactment of this Act, a petition under section 301 of this Act for a determination of eligibility to apply for adjustment assistance may be field with the President by . . . ."

If and when such dislocations come to an end, applications for adjustment assistance under the Act will automatically cease, so there is no real need for a cutoff date.

Former Secretary of Labor Willard Wirtz recognized the need for continuation of the separate adjustment allowance provisions of the Automotive Products Trade Act in his testimony before this Committee in support of the proposed Trade Expansion Act of 1968 when he said:

"Special assistance provisions of the Automotive Products Trade Act were considered necessary because of these factors:

"1. The U.S.-Canadian Agreement required immediate, complete elimination of duties on certain automotive products shipped between the two countries.

"2. The transitional adjustment assistance procedures in the Act which will be extended by the bill take into account the fact that dislocation may result not only from an increase in imports from Canada, but from a loss of the exports of a specific product.

"3. Dislocations and temporary injury may occur under the Agreement as parts and component supply sources are shifted either within each country or between countries to take advantage of the lower costs and potential improvements in efficiency made possible by the Agreement and to carry out the temporary undertakings made by the Canadian producers.

"Many of the auto cases handled to date would not be covered by the proposed assistance provisions of the Trade Expansion Act of 1968, which are geared solely to injuries arising from increased imports.

"The U.S.-Canadian Agreement was an innovative action in the field of international economic relations when it was signed in January 1965. It continues to demonstrate the mutually beneficial results which two countries can achieve in improving their trade relations.

"The maximum benefits of this program have not yet been realized. The Agreement has not been in effect long enough for the rationalization program of shifts of production to be fully completed. In addition, the slow-down in United States vehicle sales in model year 1967 inhibited transfers of production among plants as well as between the U.S. and Canada. Manufacturers may be expected to continue to rearrange their production and purchasing patterns to participate more efficiently in the expanded U.S.-Canadian market.

"This promising outlook for the future carries with it the need to assure that dislocated firms or workers are not ignored while the industry as a whole continues to develop and prosper. The adjustment assistance provisions terminate July 1, 1968. We should be able to continue to offer assistance if even a few cases of dislocation should occur. I therefore urge that these special provisions be extended for three years—to July 1, 1971."

Since it is some two years now since that testimony was given, the suggested new cut-off date of July 1, 1971, is clearly unrealistic. And for the reasons given above, the provision for dislocation assistance should rather be extended indefinitely.

During the period prior to July 1, 1968, in which petitions for adjustment assistance could be filed under the Automotive Products Trade Act, assistance was certified for 2,493 workers, as indicated in Appendix I. Dislocated workers were banned from filing petitions for assistance under the Act after July 1, 1968, but the equities justifying assistance are just as strong today as before July 1, 1968, and will continue to be in the future.

The impact upon the budget resulting from restoration of the special automotive industry adjustment assistance provisions will be negligible. Total benefits paid under the Automotive Products Trade Act from the time it became effective on January 18, 1965, through April 30, 1970, were only $4.1 million. Even this small figure is an overstatement of the costs which would result from reviving entitlement to the present level of benefits because—

1. Fewer workers are likely to be adversely affected in the future than in the past, and
2. Some of the affected workers would be eligible for adjustment assistance in any event under the Trade Expansion Act.

However, the benefits involved, although small in aggregate amount, are supremely important to the families of the dislocated workers who would be made eligible to receive them under the very simple amendment to the Administration's trade bill proposed above.

The Administration is proposing a much-needed change in the Trade Expansion Act which would liberalize the test for adjustment assistance eligibility by requiring only that increased imports be a *substantial* cause of unemployment or underemployment, or the threat thereof. At present, tariff concessions must have been the cause *in major part* of serious injury in order for adjustment assistance to be available. The Automotive Products Trade Act provides that workers may be eligible for assistance if the operation of the trade agreement is *the primary factor* causing or threatening to cause their dislocation. The Automotive Products Trade Act also should be amended to provide the more liberal test of *substantial cause* rather than the present higher standard of *primary cause.*

IMPROVEMENT OF ADJUSTMENT ASSISTANCE UNDER THE TRADE EXPANSION ACT

As previously indicated, the proposed Trade Act of 1969 does nothing to improve the miserably inadequate benefits provided under the Trade Expansion Act. The maximum benefit provided is 65 percent of the average weekly wage in manufacturing during the preceding calendar year (which at the preesnt time is a maximum of $85 per week) or 65 percent of the worker's average wage, whichever is less. That is considerably less than the benefits paid under UAW Supplemental Unemployment Benefit (SUB) plans to workers affected by ordinary layoffs—involving nothing like the special responsibility arising out of an injury inflicted as a result of deliberately adopted policies designed to benefit the whole country.

A laid-off General Motors assembly line worker, with a wife and two children for example, would receive $114.96 per week in public and private unemployment benefits under the SUB plan. A laid-off die maker in the same circumstances would receive $154.88 per week. These amounts are 35.2 and 82.2 percent more, respectively, than those provided under TEA.

Equity demands that workers dislocated because of conscious trade policies, designed for the benefit of the country as a whole, be fully protected from injury. This means compensation in an amount equal to 100 percent of their wages and fringe benefits, a benefit already payable in certain analogous circumstances by the European Coal and Steel Community. Free trade is of general benefit to the economy of the nation, but particular workers may be severely injured and they deserve full protection from the nation—the entire nation—which benefits from the strengthened economy which free trade brings.

The subject is discussed in greater detail in Appendix II, attached to this statement, under the heading "Protection against hardship." That Appendix is a statement dated May 11, 1970, and prepared for hearings of the United States Tariff Commission.

PROPOSED REPEAL OF TARIFF SCHEDULE ITEMS 806.30 AND 807

The position of the UAW on H.R. 14188, to repeal the present Tariff Schedule Items 806.30 and 807, which give favored treatment to importation of articles assembled or partially processed abroad, as well as its position on all proposals which would limit free trade, is set forth in Appendix II.

Briefly, the UAW continues its opposition to protectionism and seeks to win for workers and consumers everywhere the benefits of a rational international division of labor that will become possible only as goods are permitted to move more freely among countries. We reject, however, policies that would sacrifice the welfare of consumers and of workers and their families, here and abroad, to a free trade shibboleth in a manner that contributes only to the enhancement of profits. Continued support of the two TSUS Items by the UAW is subject to the conditions described in Appendix II.

APPENDIX I.—AUTO AGREEMENT CASE RECORD—WORKER PETITIONS ONLY

| Petitioner's firm and product | Number of workers petitioning | Date filed | Tariff Commission report due | Supplemental report | | Board action | | Number of workers certified | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Requested | Due | Determination | Date | This case | Total |
| 1. Ford, Pennsauken, N.J., export packing, No. 6-001 | 150 | Feb. 4, 1966 | Mar. 30, 1966 | None requested | | Certified | Apr. 14, 1966 | 150 | 150 |
| 2. General Motors, Grand Rapids, interior trim, No. 6-002 | 600 | Apr. 14, 1966 | June 8, 1966 | June 23, 1966 | July 18, 1966 | do | July 28, 1966 | 375 | 525 |
| 3. Fram Corp., Birmingham, air filters, No. 6-004 | 100 | June 16, 1966 | Aug. 10, 1966 | None requested | | do | Aug. 25, 1966 | 100 | 625 |
| 4. Maremont Corp., Cleveland, shock absorbers, No. 6-005 | 400 | Oct. 14, 1966 | Dec. 8, 1966 | do | | do | Dec. 23, 1966 | 400 | 1,025 |
| 5. Borg-Warner Corp., Memphis, universal joint, No. 6-006 | 130 | Dec. 19, 1966 | Feb. 15, 1967 | Mar. 1, 1967 | Mar. 27, 1967 | Denied | Apr. 6, 1967 | | 1,025 |
| 6. Rockwell-Standard, Adrian, Mich., wheel covers, No. 7-001 | 300 | Jan. 10, 1967 | Mar. 7, 1967 | None requested | | Certified | Mar. 22, 1967 | 300 | 1,325 |
| 7. Eaton Spring, Detroit, leaf springs, No. 7-002 | 300 | Feb. 2, 1967 | Mar. 30, 1967 | do | | do | Apr. 14, 1967 | 300 | 1,625 |
| 8. Eaton Spring, Lackawanna, N.Y., leaf springs, No. 7-005 | 170 | Feb. 23, 1967 | Apr. 19, 1967 | do | | do | Apr. 28, 1967 | 170 | 1,795 |
| 9. AMC, Milwaukee, auto bodies, No. 7-003 | 200 | Feb. 28, 1967 | Apr. 25, 1967 | May 10, 1967 | June 5, 1967 | do | June 15, 1967 | 100 | 1,895 |
| 10. AMC, Kenosha, Wis., complete assembly, No. 7-004 | 230 | Feb. 28, 1967 | do | do | do | do | do | 215 | 2,110 |
| 11. Chrysler, Detroit, Dodge Polara assembly, No. 7-006 | 1,000 | Mar. 3, 1967 | Apr. 27, 1967 | May 12, 1967 | June 6, 1967 | do | June 16, 1967 | 265 | 2,375 |
| 12. General Motors, Wilmington, Chevrolet and Buick assembly, No. 7-007 | 740 | Apr. 12, 1967 | June 6, 1967 | None requested | | Denied | June 21, 1967 | | 2,375 |
| 13. Chevrolet, Tarrytown, N.Y., Chevrolet assembly, No. 7-608 | 325 | Apr. 14, 1967 | June 8, 1967 | do | | Certified | June 23, 1967 | 60 | 2,435 |
| | | | | | | Revised certification [1] | Sept. 5, 1967 | | |
| 14. Fisher Body, North Tarrytown, N.Y., automobile bodies, No. 7-009 | 400 | Apr. 17, 1967 | June 13, 1967 | do | | Certified | June 23, 1967 | 45 | 2,480 |
| | | | | | | Revised certification [1] | Sept. 5, 1967 | | |
| 15. Borg-Warner, Detroit, Mich.; Long Manufacturers, oil coolers, No. 7-010 | 26 | June 7, 1967 | Aug. 1, 1967 [2] | | | | | | |
| Revised | 49 | Aug. 2, 1967 | Sept. 21, 1967 | Oct. 6, 1967 | Oct. 31, 1967 | Certified | Nov. 13, 1967 | 6 | 2,468 |
| 16. Eaton Yale & Towne, Cleveland, stampings, No. 7-011 | 65 | June 21, 1967 | Aug. 15, 1967 | None requested | | Denied | Aug. 30, 1967 | | 2,486 |
| 17. Rockwell-Standard, Mishawaka, Ind., bumper division, No. 7-012 | 66 | Aug. 23, 1967 | Oct. 17, 1967 | do | | do | Nov. 1, 1967 | | 2,486 |
| 18. Borg-Warner, Detroit, Long Manufacturing, condensers, No. 7-013 | 9 | Nov. 1, 1967 | Dec. 27, 1967 | Jan. 11, 1968 | Feb. 5, 1968 | Certified | Feb. 15, 1968 | 7 | 2,493 |
| 19. Pittsburgh Plate Glass, Ford City, Pa., auto glass, No. 7-014 | 150 | Nov. 8, 1967 | Jan. 3, 1968 | None requested | | Denied | Jan. 18, 1968 | | 2,486 |
| 20. Pittsburgh Plate Glass, Creighton, Pa., auto glass, No. 7-015 | 150 | do | do | do | | do | do | | 2,486 |
| 21. C. M. Hall Lamp Co., Detroit, die cast parts, No. 8-001 | 150 | Jan. 18, 1968 | Mar. 13, 1968 | Mar. 28, 1963 | Apr. 22, 1968 | do | May 3, 1968 | | 2,493 |

[1] Certification revised to reflect corrected information.
[2] Original petition withdrawn and investigation terminated July 31, 1967; revised petition submitted Aug. 2, 1967.

Source: Herbert N. Blackman, Administrator, Bureau of International Labor Affairs, U.S. Department of Labor, pp. 555 and 556 hearings before Ways and Means Committee on Tariff and Trade Proposal, June 5, 1968.

APPENDIX II

STATEMENT OF UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW) ON ASSEMBLED AND PROCESSED ARTICLES, MAY 11, 1970

Formulating a UAW position on Tariff Schedule Items 806.30 and 807.00 has not been an easy matter. A variety of conflicting considerations, all of which we deem important, have had to be weighed. The result is that we find it impossible to give an unqualified "yes" or "no" answer to the question of whether these Tariff Schedule Items should be repealed. Our answer must be conditional. The considerations that have influenced our thinking and the conditions without which we cannot support continuance of the two TSUS Items are spelled out in the remainder of this statement.

CONSIDERATIONS

In determining our position on this matter, we have not been guided by narrow and selfish concerns related solely to the short-run interests of our members. We are fully aware of the broader implications of trade policy decisions in terms of their impact, for good or ill, upon the well-being of people here in the United States and elsewhere throughout the world.

*Traditional UAW support for trade liberalization*

The UAW has consistently supported measures to promote the expansion of international trade and to further the development of a rational international division of labor.

Although overseas imports of automobiles have been rising steadily for the past 8 years to the point where they accounted for an estimated 13 percent of new car sales in the first four months of 1970, our Union has not asked for tariff or quota protection. We are aware that the rise in imports has been attributable mainly to the failure of domestic auto producers to manufacture cars directly competitive in size, price, gasoline economy and other much-wanted features with the small cars that make up the bulk of the imports. We are hopeful that the small cars presently being planned by the U.S. automotive corporations will turn back the tide of imports. We believe that domestic production of an attractive competitive product, of which the U.S. industry is fully capable, is the soundest way to meet the import problem.

We supported enactment of the Trade Expansion Act (TEA) and of the Automotive Products Trade Act of 1965 although, in both cases, with serious misgivings because of the inadequacy of the adjustment assistance they provided for adversely affected workers.

However, we are not and have never been doctrinaire free traders who believe that free trade is an end in itself. We are for liberal trade measures only insofar as they serve human ends. We are therefore compelled to examine the effects of the two TSUS Items on such matters as the welfare of workers and consumers in the United States, on the assembling and processing workers employed in other countries pursuant to those Items, on the international relations of the United States, on the progress of the developing countries and on the dangers posed by the growth and spread of international corporations. In order to obtain light on some of these matters (specifically those relating to impact on U.S. workers), we have canvassed our regional directors and department heads who have furnished information on a number of plants whose operations involve processing or assembling in other countries.

*Effects of TSUS items*

Operations under the TSUS Items in question can adversely affect U.S. workers by depriving them of opportunities for employment or by undermining their ability to maintain or improve their wages, fringe benefits and working conditions or both. While there are undoubtedly instances in which, in the absence of those TSUS Items, the product involved would be imported in its entirety, providing no manufacturing employment opportunities in the United States, our inquiries indicate that those situations are relatively rare. In the great majority of cases, processing and assembly abroad replaces work that otherwise would be done in the United States.

That in itself would be no great cause for concern provided (a) that U.S. workers whose jobs were affected were *fully* protected against hardship, (b)

that full employment prevailed in the United States assuring suitable alternative employment opportunities, (c) that the hard-won labor standards of American workers were not jeopardized, (d) that the workers engaged in processing and assembly in other countries were protected against exploitation, (e) that consumers benefitted through lower prices from the economies from processing and assembly abroad rather than corporations, through higher profits, and (f) that processing and assembly contributed constructively to the economic and social progress of the developing countries.

As of now, there is no meaningful assurance with respect to any of the above matters.

*Protection against hardship*

At present, workers dislocated as the result of the TSUS Items in question are not eligible even for the miserably inadequate benefits provided under the Trade Expansion Act because their unemployment or underemployment does not result from "concessions granted under trade agreements." Presumably they would be covered under the Administration's trade bill now before the House Ways and Means Committee. However, that bill offers nothing more than the miserly benefits provided in the TEA under which the maximum benefit provided is 65 percent of the average weekly wage in manufacturing during the preceding calendar year. As of now, that means a maximum benefit of $85 per week.

Trade Readjustment Allowances were provided under TEA at levels higher than regular unemployment compensation benefits on the sound theory that where unemployment or underemployment is caused by a government policy or action undertaken in the interest of the whole nation, the nation through the government has a special obligation to compensate the worker for the injury done him. Yet, the $85 maximum TRA benefit is considerably less than the benefits paid under UAW Supplemental Unemployment Benefit (SUB) plans to workers affected by ordinary layoffs—involving nothing like the special responsibility arising out of an injury inflicted as a result of deliberately adopted policies.

A laid off General Motors assembly line worker, with a wife and two children, for example, would receive $114.96 per week in unemployment benefits under the SUB plan. A laid off die maker in the same company with a similar family would receive $154.88 per week. These amounts are 35.2 and 82.2 percent more, respectively, than under TEA.

The TEA benefit formula would yield 55.9 percent of wages to the assembly line worker (current wage, $152 per week) and 41.3 percent of wages to the die maker (current wage, $205.60 per week).

By contrast with the benefits paid by the European Coal and Steel Community in analogous circumstances, such TRA benefits are nothing short of disgraceful. The Community, composed of countries far less wealthy than our, provides benefits as high as 100 percent of wages (plus various other forms of assistance) to worker displaced as the result of the removal of tariffs on coal and steel traded among the participating nations.

We strongly doubt that any members of the Tariff Commission, or any member of Congress for that matter, would consider 41.3 or 55.9 percent just and adequate compensation for loss of income, whether that loss were caused by a private party or by the government. All undoubtedly would, with justice, insist upon 100 percent. Why should a worker injured by an action of the government taken in the national interest be asked to accept less?

If liberal trade policies are in the interest of the nation, as we believe they are, the nation as a whole should bear whatever costs and sacrifices may be involved and not just those workers unfortunate enough to find themselves in jobs that are adversely affected. All must share equitably in the cost involved—through the tax mechanism—which should leave a significant net gain if free trade theory has any validity. None should be deprived of income and security—to any degree—in order that the benefits of freer trade may be made available to others.

Equitable distribution of the cost of liberal trade policies can be achieved through a sound and compassionate program of adjustment assistance that fully takes into account the just claims of the affected worker and his family, and recognizes that a worker loses far more than his wages when he is deprived of his job. These non-wage losses have hitherto been largely ignored although they are crucially important to the worker and his family. We believe that justice requires that the affected worker be assured of the same income and fringe benefits that he would have had if not for the impact of national trade policies until he is restored full-time to his original job or obtains another providing at least equal conditions. In return, he should be required to register

for work with the Employment Service and to accept suitable employment or training when referred by the Service.

In order to assure that a worker adversely affected by national trade policy bore no more than his fair share (payable in taxes) of the costs of that policy, it would be necessary to provide for him all of the following protections applicable to his situation:

1. Maintenance of the full weekly income he would have had if not laid off, displaced, downgraded or placed on short workweeks as a result of national trade policy.
2. A pension benefit at retirement equal to that which he would have had if not affected by trade policy.
3. Maintenance of hospital, surgical, medical, disability, life (and other survivor) insurance coverage for himself and his family equal to that which he would have had.
4. Liberal separation pay to compensate permanently displaced workers for loss of seniority rights and seniority-related benefits.
5. Retraining, if required to enable him to obtain work comparable in pay and status to that from which he was displaced.
6. Relocation allowances sufficient to cover all reasonable costs incurred in moving himself and his family in order to obtain suitable employment.

The protections called for in the first three points in most cases would require only supplementation by the government of pay or benefits obtained from other sources. For example, employers generally now maintain pension plans and provide some forms of insurance. If the displaced worker found a new job on which such benefits were inferior to those he formerly enjoyed, the government would pay only the cost of supplementing them to the former level.

The affected workers, along with all other Americans, would, of course, pay their share of the taxes required to finance the proposed improvements in adjustment assistance which, in any event, are not likely to involve any significant cost. Thus there would be fair sharing in the burdens associated with tariff privileges or the lowering or removal of trade barriers.

Only when the nation provides the full range of benefits listed above will practice have been conformed to lip-service pronouncements. Only then will the nation be able to say with a clear conscience that it requires no individual to bear an unfair share of the costs involved in obtaining for the nation as a whole the benefits of a liberal trade policy.

*Absence of full employment*

The inadequacies of employment policy in the United States mean that trade policies that adversely affect employment opportunities have far more severe consequencies for workers in our country than in the rest of the industrialized world. Even in recent years of relative prosperity, the U.S. unemployment rate has tended to run about twice as high as the average for other democratic, industrialized countries.

At present, our country has an Administration that is deliberately applying policies designed to raise the unemployment rate on the misguided theory that more unemployment is the only way to combat inflation. Under these circumstances—and particularly in view of the sharp rise in imports under TSUS Items 806.30 and 807.00—it should be entirely understandable that we have grave misgivings as to the wisdom of continuing those Items as part of the nation's trade legislation.

*Danger to labor standards*

It is certainly no secret that the TSUS Items in question—particularly Item 807.00—are attractive to certain American corporations primarily because of the opportunities they offer to take advantage of cheap labor. These opportunities are as eagerly sought after by billion dollar multi-national corporations as by the operators of sweatshops. For example, according to the *Wall Street Journal* for December 3, 1969, Mr. Henry Ford II said:

"In South Korea, Taiwan, and Indonesia, we see promising markets and we see an attractive supply of cheap labor."

That this remark was not made in the context of the TSUS Items does not detract from its relevance.

Those who, for their own profit, seek to lure U.S. manufacturers to engage in processing and assembly abroad seem to have no doubt that cheap labor is the best bait. By way of illustration, there are attached to this statement as Exhibits #1 and #2, respectively, a letter from a Puerto Rican firm soliciting

from U.S. manufacturers assembly work to be performed in Haiti and an article that appeared in a San Juan, Puerto Rico, newspaper reporting on Haitian assembly operations performed for U.S. manufacturers. The wages paid to the Haitian workers involved, according to the newspaper, amount to considerably less per *day* than the average U.S. manufacturing worker is paid per *hour*.

Since most assembly work under Item 807 is manual work requiring little or no equipment, it is highly unlikely that differentials in productivity as between the U.S. and the country of assembly (if, indeed, there are any differences in productivity) are in any way commensurate with the differences in wages. The enormous resulting differentials in unit labor costs (offset only in part, and probably in small part, by transportation costs) cannot help but jeopardize the wage standards of U.S. workers. In fact, U.S. employers, including some employing UAW members, openly threaten to ship work abroad in order to frighten their workers into accepting lower wages and lesser fringe benefits than they otherwise would insist upon having.

Competition from cheap foreign labor also results in evasion of statutory standards established for the protection of workers. It is rather ridiculous, for example, for the U.S. government, at one and the same time, to establish minimum wages for U.S. workers (e.g., under the Fair Labor Standards Act) and to offer special tariff concessions to employers who succeed in evading the minimum wage requirement by transferring part of their production to other countries with far lower wages.

It is worse than ridiculous—it is intolerable that U.S. manufacturers should, as frequently happens, be granted those tariff concessions on products processed or assembled under dictatorships where workers are denied the rights of association and collective bargaining necessary to assure that they obtain a reasonable share of the fruits of their labor. The granting of tariff concessions under such circumstances not only provides a means of evading U.S. laws favoring collective bargaining. It flies in the face of our country's professed devotion to democratic principles and to their advancement throughout the world.

*Interests of foreign workers*

It is not our position, however, that workers in other countries be denied the opportunity to process or assemble U.S.-made materials for reimport to this country. Our purpose, as will be made clear later in this statement, is rather to help workers in those countries to raise their standards and to use the potential leverage of the TSUS Items to help extend to them statutory protections comparable (with reasonable allowance for differences in national economies) to those afforded U.S. workers.

If that were done, it would be easier to reconcile logically the simultaneous existence of statutory protections for U.S. workers and tariff concessions on products involving work performed under lower standards. It would be possible then to say that the special tariff privileges involved were helping to perform for foreign workers the same function that our labor legislation performs for U.S. workers.

We are aware of the desperate need of the poorer countries for increases in employment opportunities. We believe they should be helped far more generously by the advanced countries than is presently the case to make fuller use of their resources to improve the lives of their peoples. But we reject the notion that human labor is just another economic resource, no different from land or machinery, to be bought as cheaply as possible, to be used without restraint and to be cast aside when no longer needed. The end purpose and justification of economic activity is to serve human needs; and the worker is no less a human being in countries where labor is abundant than in those where it is scarce. Workers in labor-abundant countries are as much entitled as workers in labor-scarce countries to a fair share of the fruits of their work. Trade policies can be regarded as sound and acceptable only when they promote social justice and take fully into account the human needs of the peoples of all countries involved in the international movement of goods.

Applying that test, it becomes clear that certain conditions must be attached to the tariff privileges made available under the two TSUS Items in order to protect foreign processing and assembly workers against the ruthless exploitation to which many of them are now subject as they work on the products of U.S. manufacturers. Those conditions will be spelled out below.

*Benefits to consumers*

The theoretical justification for liberal trade policy is, essentially, that consumers reap the benefits in lower prices from a rational international division of labor. But between theory and practice there is often a wide gap. The gap is narrower in those industries where effective competition prevails. But such industries are tending to diminish in numbers and importance. Increasingly the world economy is coming under the domination of a relative handful of international corporations which function largely in oligopolistic industries. These corporations openly proclaim their policy of "world-wide" sourcing which means manufacturing parts and components in a number of countries, bringing them together for assembly in perhaps another country and marketing the finished product in still other countries. In practical terms, world-wide sourcing also means buying human labor in the cheapest market, and where standards of social responsibility are lowest, and selling the product in the dearest market. It means driving workers in as many countries as possible into degrading competition with each other to the detriment of the labor standards of all of them.

The policy of world-wide sourcing places the international corporations in a particularly advantageous position to make use of the TSUS Items in question. Among other things, they have or can readily establish the bases and the contacts necessary for processing or assembly in other countries. At the same time, the oligopolistic market power which many of them possess affords them the opportunity to withhold from consumers the savings from world-wide sourcing and to divert those savings to the enhancement of their profits. Under these circumstances, it should be no surprise that international corporations are making increasing use of the TSUS Items in question. They can be expected to continue to increase their use of those Items at an accelerating rate.

A sound decision with respect to the retention of the two TSUS Items would require careful study of the extent to which consumers rather than corporations actually benefit from the savings involved. Perhaps such study would suggest means by which consumers could be assured of obtaining in lower prices the benefits of those savings.

*Contributions to development*

Much could be forgiven if processing or assembly operations under the TSUS Items made constructive contributions to the economic development of the poorer countries. However, whether such operations in fact do so to any significant degree is, at best, highly questionable. It is true that some contribution is made in the form of foreign exchange. But the effort to attract the work frequently involves the use of massive local resources (in the building of industrial estates, for example) which might be put to better uses. Too often, moveover, the foreign operation results in the creation of an enclave with no spread effects to the rest of the economy. The simple assembly work mostly involved in the developing countries adds nothing of importance to the training of local manpower. The viability of the operation, based as it is solely on cheap labor, is highly uncertain. It is likely to be moved as soon as even cheaper sources of labor are opened up. This is particularly true of assembly operations which, by their nature, generally require little investment in inmovable fixed capital. It is common knowledge in the Far East, for example, that operations are moved among Hong Kong, South Korea, Taiwan and Singapore based upon which at the moment offers the lowest labor costs. Africa is beginning to enter the competition and the Orient, as a result, may soon be stripped of much of its foreign work.

Because of the intense competition among the countries seeking such work, foreign manufacturers are able to exact from host governments concessions of various kinds which largely nullify whatever benefits might otherwise have been available to the developing country obtaining the work. That competition may also cause the undermining of established labor standards in the developing country. Singapore, for example, adopted drastically restrictive labor legislation in order to attract foreign companies—U.S. corporations conducting assembly operations under Item 806.30 among them. In some cases, wages below even the local average for similar work are used to attract foreign assembly operations.

The impression of the United States created by the factors mentioned above tends to have a negative effect on our international relations. Much though U.S. corporations may boast of their contributions to economic development, the peoples of the developing countries are not fooled. They know the American corporations carry on operations in their countries (directly or indirectly through local companies) solely for reasons of profit; and they know that the Americans

order to determine the actual impact of the TSUS Items on economic development of the poor countries. Even in advance of such studies, however, it is possible to suggest certain conditions to be attached to the tariff privileges involved drive hard bargains with both governments and workers. Their attitudes toward the United States are affected in ways that are hardly favorable to our country's international relations.

With respect to this subject, also, it would be well to conduct research—in in order to reduce the negative effects of operations carried on abroad under those Items. As indicated, we will do so later in this statement.

CONDITIONS FOR CONTINUANCE OF TSUS ITEMS

Our support for retention of the two TSUS Items in question is dependent, as stated above, on certain conditions including, among others, conditions which exporting countries and firms would have to meet as prerequisites for obtaining tariff-free reentry into the United States of the U.S.-produced parts of products shipped to this country. The conditions fall into two categories, one covering protections for U.S. workers and the other covering protections for foreign workers.

*Protections for U.S. workers*

1. *Adjustment assistance.*—We have already spelled out above, and will not repeat here, the elements of an adjustment assistance program required to give practical application to the principle that all who stand to benefit from liberal trade policies should share equitably in the costs of obtaining the benefits and that none should be required to bear a disproportionate share of the sacrifices involved.

Obviously we do not intend that the proposed adjustment assistance program be confined only to those workers affected by the two TSUS Items. The program should be an integral part of the nation's basic trade legislation. We will urge its inclusion in that legislation in the forthcoming hearings of the Ways and Means Committee of the House of Representatives.

We hope the Tariff Commission will recommend to the President that genuine substance be given to the principle upon which adjustment assistance is based by amending present adjustment assistance legislation as proposed above.

2. *Full employment policy.*—Here, again, the issue is much broader than the two TSUS Items. An effective full employment policy, adopted independently of trade considerations, would offer the country rich rewards in itself. In the absence of such a policy, however, retention of the TSUS Items could well mean giving away U.S. jobs with no plan to replace them with other jobs. Although we recognize that full employment is not the responsibility of the Tariff Commission, we hope, nevertheless, that the Commission will do its best to impress on the President the relationship of full employment to trade policy including the fact that the political obstacles to trade liberalization—in fact, pressures to retreat to protectionism—grow at an accelerating pace as the unemployment rate mounts.

One specific recommendation that would be appropriate would be to suspend the operation of the two TSUS Items whenever the U.S. unemployment rate exceeds a specified level reasonably within range of full employment.

3. *International Fair Labor Standards.*—The members of the Commission are undoubtedly familiar with the concept of International Fair Labor Standards and its history, including U.S. support for the principle involved and inclusion of a provision on the subject in the ill-fated Havana Charter. The International Metalworkers' Federation (IMF), to which the UAW is affiliated, some years ago adopted a resolution calling for revision of the GATT agreement to provide for the implementation of the concept in situations of market disruption. That resolution is attached as Exhibit #3 of which Paragraph 3 (particularly subparagraph (b)) is the pertinent part. It is entirely possible that market disruption in some industries could result from the operation of the two TSUS Items as applied to products processed or assembled under fair labor standards. The proposal advanced in the IMF resolution would make it possible to deal with such disruption without repealing the TSUS Items.

We hope, therefore, that the Commission will recommend to the President a renewed drive in GATT for adoption of an international fair labor standards provision.

*Protections for foreign workers*

The protections against exploitation of foreign workers proposed below would have relatively little impact on imports under Item 806.30 since the overwhelming portion of the processing of metal products under that Item is conducted in democratic, industrialized countries which already provide for their workers' rights comparable to those enjoyed by U.S. workers. A possible exception is the wage standard proposed which might, in some cases, affect products imported from such countries under 806.30. Those cases would tend to be rare, however, if there is any validity to the oft-heard claims of U.S. international corporations that they match or exceed in their foreign operations the best labor practices of indigenous corporations.

Development of the detailed standards to be applied would require more careful research and thought than our resources of time and staff permit. We sketch out below several standards that seem to us to be entirely reasonable and, if anything, minimal rather than excessive. We believe that serious consideration should be given to applying standards along those general lines to U.S. imports in general, barring all imports that do not meet them except those crucial to the welfare of the American people which cannot be obtained from firms and countries that conform to the standards. The United States would thus be able to exert the powerful leverage of its vast purchases on the world market in behalf of the advancement of decency and democracy in other countries. If the application of standards to imports in general should require assent from GATT, such assent should be sought.

We suggest that the standards be administered by requiring the firm doing the foreign processing or assembling (whether a subsidiary or affiliate of a U.S. corporation or otherwise) to obtain certification from the U.S. embassy in the country involved that it is in compliance. Machinery should be set up through which U.S. unions, competing U.S. firms or other interested organizations or individuals could challenge the validity of the certifications. Duty-free reimport of U.S.-made parts would be permitted only where the embassy certified that the country and firm in question met all of the following standards:

1. *Collective bargaining*—The country permits workers to organize, to bargain collectively through representatives of their own choosing and to strike without reprisal or penalty of any kind for exercising those rights. The certification would be required to attest that these rights are respected in practice and not merely in statutory language that is ignored or violated.

2. *Child labor*—The firm does not employ child labor either in the processing or assembly work for export to the United States or in any of its other operations. Recognizing that prevailing labor practices in other countries are often less advanced than ours, child labor might be defined as work by those below 14 years of age.

3. *Forced or prison labor*—No forced or prison labor is employed by the firm for any purpose and the country prohibits forced labor in fact as well as by law.

4. *Hours of work*—Actual hours of work (as distinguished from scheduled) per week are no greater than those prevailing in other manufacturing establishments in the modern, industrial (as distinguished from traditional, handicraft) sector of the country's economy.

5. *Wages*—The firm pays wages not less than the top quartile of wage rates paid for comparable work in the modern, industrial sector of the country's economy. Recognizing that wage rate distribution data for some countries may not be available, the U.S. embassies in such countries would beallowed to base their cetrifications, for the first year after these standards became effective, on their own independent investigations which need not conform to rigorous statistical standards. Such countries would be advised, however, that the duty-free privileges of the two TSUS Items would not be available to their firms after the end of that year unless they compiled wage distribution data. The services of qualified BLS personnel would be made available to such countries on request to assist in compiling the data. No embassy would be permitted to certify that the wage standard had been met unless it had previously obtained from BLS (or from the International Labor Organization if the government involved preferred) a separate certification that the procedures and methods used in obtaining and compiling the wage distribution data conformed to sound statistical standards.

6. *Racial discrimination*—The government of the country does not by law or practice engage in, support or encourage racial discrimination or segregation and the firm does not practice racial discrimination with respect to hiring or terms and conditions of employment and does not maintain segregated facilities for workers of different races.

*Product Labelling*

In order to facilitate enforcement of the standards (i.e., to make possible investigation by those entitled to question an embassy's cetrification)—as well as for the purpose of informing consumers and other purchasers—all products imported under the two TSUS Items should be required to be marked or labelled to indicate the country in which the processing or assembly work was done.

*Mexican Border Industries*

The Mexican border industries present a unique problem and a unique opportunity to develop rational and just methods for balancing the interests of U.S. workers with those of workers in poorer countries.

Certainly it is in the interest of the United States to encourage the economic development of Mexico. It is in the interest of both countries to assure that progress in Mexico is not bought at the price of exploitation of or undue sacrifice by workers in either country. Relations between the two governments involved are good enough to sustain the hope that they can cooperate to find reasonable answers mutually beneficial to both countries.

Appropriate machinery and certain guiding principles are necessary for such cooperation. We propose creation of a binational, tri-partite commission which would include representatives from both countries. The commission would have the power to license (or to withhold licenses from) U.S. processing or assembly operations south of the border. Tariff privileges under the two TSUS Items would be available for the products of an operation conducted south of the international border only if it were licensed. The commission would be empowered to grant licenses only if:

1. The operations were not "runaways" which would disemploy U.S. workers employed on the processing or assembly operations involved.
2. The employer agreed to pay no less than the minimum wage rates and fringe benefits established by the commission. The commission would be required to establish the minimum at the highest levels compatible with maintaining the operation in Mexico. The wage and fringe benefit minimums would be subject to upward revision, at least annually, to the maximum extent justified by the increased productivity of the workers. In no case, however, would minimum wages be set lower than the top quartile of rates good for comparable work in Mexico.
3. The employer agreed he would not in any way interfere with or deter efforts from within or from without his establishment to unionize his workers. The workers would be free to choose to affiliate to either a U.S. or a Mexican union. The union chosen would represent the workers before the commission in proceedings concerning the revision of minimum wages and fringe benefits. The workers would be free to strike over all terms and conditions of employment—including wage rates and fringe benefits if, in their judgment, the commission had set the minimum rates and benefits at lower levels than the employer could afford to pay while operating in Mexico.

We would hope that the Mexican government would see the wisdom of agreeing voluntarily to the establishment of the commission and guidelines proposed above. It must be aware that continued abuses under its border industries program will inevitably lead to U.S. action that will destroy the program. It therefore should be receptive to proposals which will reassure U.S. workers and voters that abuses are being avoided.

If, however, the Mexican government refused to cooperate, we would see no alternative but to suspend the operation of the two TSUS Items with respect to Mexico until cooperation is forthcoming.

## SUGGESTIONS FOR STUDIES

There has been a great deal of theorizing but much less solid research related to the premises upon which U.S. trade policy is based. If the facts are not consistent with the theories, the policy may be doing harm instead of accomplishing the desirable results claimed for it.

We see no reason to question the most fundamental premise—that a rational international division of labor *can* contribute to the welfare of peoples everywhere. But we are not at all certain either that the division of labor fostered by present trade policies is necessarily sound or that the potential benefits are being achieved in practice.

We therefore believe, as stated above, that more research is needed into certain aspects of trade policy. Without attempting to indicate all the matters that deserve study, we would suggest that the government support research at least involving the following questions (two of which were previously noted):

1. What are the effects of trade liberalization in an economy chronically suffering from excessive unemployment as compared to one with an effective full employment policy?

2. To what extent do liberal trade policies actually benefit consumers through lower prices rather than corporations through higher profits? What measures can be applied to assure that consumers actually reap the benefits?

3. What effect does international trade conducted by international corporations among their divisions, subsidiaries or affiliates in various countries have on the welfare of workers and consumers? What measures can be applied to protect both groups against abuses of the enormous power of transnational corporations? Would it be desirable to create multi-national government bodies to prescribe and enforce rules for the operations of international corporations?

4. What are the effects—economic, social and political, nationally and internationally—of confining the role of less developed countries in international trade largely to that of suppliers of cheap labor? What are the consequences of permitting international corporations untrammelled use of such labor in their integrated world-wide operations? What measures can be applied to avoid any harmful effects that may be found?

The foregoing questions, of course, have much broader implications than the subject matter of the Commission's current proceedings. However, as indicated in the preceding pages, they also have direct relevance to decisions concerning the two TSUS Items presently under consideration. We urge the Commission to recommended to the President that studies along the lines suggested be undertaken without delay.

CONCLUSION

In conclusion, we should like to emphasize again that the UAW continues to be opposed to protectionism and seeks to win for workers and consumers everywhere the benefits of a rational international division of labor that will become possible only as goods are permitted to move more freely among countries. At the same time, we are opposed to sacrificing people for a doctrine. We reject policies that would sacrifice the welfare of consumers and of workers and their families, here and abroad, to a free trade shibboleth applied in practice in a manner that contributes only to the enhancement of profits. Workers and consumers must not be treated as expendable pawns in the pursuit of liberal trade policies. On the contrary, their interests must be considered paramount and trade policy must be designed to serve rather than injure them. The proposals urged in this statement are directed toward that end.

EXHIBIT 1

GENERAL ASSEMBLY & CO.,
*San Juan, P.R., 1970.*

DEAR SIR: Our firm established in Haiti for 34 years in diversified business can probably save you 2/3 of your present labor cost on practically any assembly of components.

We are successfully assembling for many companies at present and are maintaining for one company a scheduled volume of 4 million items per month.

We are seeking companies who would like to reduce their labor overhead by 2/3 by assembling their products or components in Haiti with insured guarantees.

*How it works.* After we have visited you or you have sent us a sample (one finished item plus 12 unassembled items) plus A) your average hourly wage; B) estimated hourly overhead per labor hour: C) average time it takes your workers to assemble one dozen items—we will give you an estimate or contract to produce what you are now assembling at roughly 2/3 less than your present cost (FOB Haiti).

*How we do it.* We receive your components through our New York or Miami "Forwarders". They take care of all the red tape both ways.

Air freight: Miami to Haiti, Via Pan Am or Transcaribbean, 12 cents per lb. up to 1000 lbs.; 8 cents per lb. over 1000 lbs.

By ship: New York to Haiti, Via Grace Line, per cubic ton (2000 lbs. or 40 cu. feet).

Upon receipt of your raw material

1. Your products will be assembled and finished to meet your specifications as per your schedule by specially trained and skilled personnel. We maintain a quality control.

2. We ship the finished product collect to the U.S.A. via our forwarder who pays a duty of 28% of the *Labor Cost only.* (13% on electronic work).

3. We are paid by a manager check held by the Royal Bank of Canada in Haiti against certification that your finished product has been shipped back to you.

4. As we have obtained from the Haitian Government a franchise to manufacture for re-export, there are no local taxes or duties on raw materials or equipment.

5. Guarantees—All equipment and raw material will remain your property at all times and will be covered fully by U.S. Insurance companies established in Haiti. In case of damage or loss you are the beneficiary. Additional coverage or verification of the above can be obtained from U.S.-F.C.I.A. (Foreign Credit Insurance Association) created to help U.S. Businessmen obtain export credit and financing on assembly of products in low cost labor areas. This helps put you on a parity with foreign competition. They are located at 250 Broadway, New York, New York 10007.

Our References are:

First of all our present customers whose names and addresses we will furnish upon request.

United States Embassy, Port-au-Prince, Haiti—Attn. David Reynolds, Esq. or Mr. Andrew Tangalos

First National Bank of Miami, Miami, Florida—Attn. Mr. J. Robert Devaux, Vice Pres. Latin American Div.

Royal Bank of Canada, Port-au-Prince, Haiti—Attn. The Manager or Mr. Raymond Thomas, Asst. Mgr.

So far, neither Hong Kong or Taiwan can compete with the $80 odd dollar executive trip to Haiti, the lower and faster freight rate, the proximity and friendly interest Haiti has in the U.S. In addition to your own savings you will be helping a developing country.

Please give us an interview with your firm.

Name _____

Address _____

Date_____ Time_____ Place_____

and a brief description of the assembly we might do for you. See check list page 1, paragraph 4. (To save time please answer here and return).

Yours sincerely,

JOHN A. FRANCISCUS,
*Vice Pres.—New Products Division.*

EXHIBIT 2

[From the Sunday San Juan Star, San Juan, P.R., June 15, 1969]

AMERICAN INVESTORS TURNING TO BACKWARD HAITI

PORT AU PRINCE, Haiti (AP)—Barefoot, rags and all, backward Haiti has made it into the electrontics age and even into U.S. minor league baseball.

Television components are being made here by people who've never seen a television program. There's only one TV station, with a handful of sets in relation to the 4½ million population.

Others who have never watched a baseball game—the sport isn't played here—are making baseballs and softballs.

This little Caribbean republic, where 85 per cent of the people go about barefoot, may soon become the sandal and shoemaking capital of the Caribbean.

All this is because the industrial era has sort of backed up into the 18th century where Haiti got mired some time ago.

American investors, plagued by taxes and labor costs at home, are turning to Haiti where the minimum daily wage is 70 cents, labor unions are nonexistent and the work week runs to 48 hours. There are also tax and import duty exemp-

tions and the U.S. market is almost next door—two jet hours to Miami, 3½ to New York.

Another factor, says Andy Andersen, president of Allied Industries, maker of electronics components, "is the Haitian. He's dexterous and willing to work."

Like most of the newer light industries operating in Haiti, Andersen's company is an assembler rather than manufacturer. Almost all raw material, even decorative woven palm strips for sandals, are imported. The Haitians put the imported parts together, using imported machinery.

These are the so-called "transformation" industries that are moving out of the United States to nearby countries—Mexico, Puerto Rico, Haiti—to escape the high domestic costs of hand labor.

Since the companies don't sell their products locally, there are no profits to tax. Raw material comes in duty free and the assembled goods pay a minimal export levy. On a $30,000 shipment of sandals, the duty will run to about $30, says one maker. U.S. import duties are also minimal because American-made components are used in the final product.

Besides TV components, baseballs, softballs, shoes and sandals, local plants are turning out toys, handbags, shirts, dresses and other garments for the U.S. market.

Andersen, 45, son of German immigrants who settled here when he was 2 years old, gave up a travel service business to get into electronics. His plant employs 110 people, almost all women, who daily turn out about 50,000 circuit breakers, transformers, variable resistors and other components for American TV makers.

He pays his employes $2 a day, he says, "because you can't get the kind of help we need for the minimum wage." That is an adequate income, he says, in a country where living costs are low. A hotel clerk comments that a small family "might just make it on $2 a day, but it's going to mean eating a lot of mangos to stay alive."

Another German immigrant, Hugo Epstein, 50, manages the United Shoe Manufacturing Co., subsidiary of a Miami, Fla., firm, which turns out about 7,000 pairs of shoes and sandals a day. The sandals sell for $6 or more a pair in the United States.

"The equipment to go to 80,000 pairs a day is being installed," Epstein said, making it one of the biggest operations in the Caribbean. The plant employs 500 men and women and the average wage is $2.50.

Four years ago, Jules Tomar, 49, of Ventnor, N.J., was one of three baseball makers in Haiti. Now there are seven.

The inner parts of baseballs and softballs, wound by machines that require a minimum of human attention, are shipped here from Puerto Rico. Precut horsehide baseball covers, also imported, are handstitched on the balls by Haitian women.

The balls are for use in minor leagues and lower categories. Tomar says his plant is capable of turning out balls of major league quality, but the major leagues "with all their American traditions wouldn't stand for using a foreign-made ball."

The plants are part of a total U.S. investment in Haiti whose replacement value is estimated at $50 million.

The size of the payrolls is miniscule in terms of the staggering national needs, but they represent a respite for a people whose average income has now fallen below $70 a year.

EXHIBIT 3

INTERNATIONAL FAIR LABOUR STANDARDS

The International Metalworkers' Federation, at its Congress in Rome from 9 to 12 May 1961,

advocates constant expansion of world trade, through the progressive lowering of international trade barriers and removal of other trade restrictions, as a vital prior condition for further economic and social progress in the world;

concludes that charges by employers in various countries that they are confronted with competition based upon substandard labour conditions in other nations are usually unfounded in fact and are advanced for the purpose of depriving workers of their just share in the fruits of technological and social advance, or maintaining substandard labour conditions in their own countries;

finds that there are nevertheless instances of unfair competition in international trade, based upon the low level of labour conditions in exporting in-

dustries, which is detrimental to the welfare of workers in both the exporting and importing countries and must be vigorously opposed by the international trade-union movement;

recognises the need for greater export outlets for industrially developing countries, essential for their economic advance and improved living and working conditions for their people;

insists that the expansion of trade must contribute to full employment and better living standards in both industrialised and developing countries.

In keeping with these aims, in future the trade unions must exercise greater influence over all aspects of economic and social problems connected with international trade.

In particular, the IMF deems it requisite for:

(1) Fair Labour Standards to be promoted throughout the world, by means of dynamic wage and social policy. At the same time, such policy will contribute to job security and the creation of new employment opportunities. In addition, the international coordination of trade-union activity must strive for world-wide assimilation of living and working conditions, on progressive lines;

(2) the IMF to make active support available to free unions in economically retarded countries, in order to enable them to overcome want and hardship in those countries, and ensure for the working population a fair share in the product of their economies;

(3) the General Agreement on Tariffs and Trade (GATT), in conformity with Articles 3 and 7 of the Havana Charter, to include additional clauses, whereby, in close cooperation with the International Labour Organisation—

(*a*) Member states undertake an obligation to achieve and maintain full and productive employment and eliminate unfair labour conditions, which substantially disrupt international trade. Governments must be called on to recognize the freedom of association of workers and employers, as also the right of collective bargaining thereby recognised, as vital pre-requisites for Fair Labour Standards;

(*b*) a right of complaint is created, which lays down the approach whereby employer and labour organisations in a Member state, through their government, could raise individual cases of market disruption and their social effects, due to exports from some other Member. Existence of either of the following conditions should be deemed to provide a basis for action, under the complaint procedures:

(i) total hourly labour costs in the exporting firm substantially below the average for its industry in the exporting country; or

(ii) both hourly and unit labour costs in the exporting firm unjustifiably below those of the same industry in the complaining country.

For these purposes, labour costs should include all forms of employer payments to or on behalf of employees, whether in the form of direct wages, contractual fringe benefits, or social charges required by legislation.

(*c*) all Member states of GATT undertake to file an annual report on their own development of wages and working conditions in those industries in which tariff concessions have been granted by other countries or in which increased export trade has resulted in market disruption in an importing nation or nations. Annually such reports would be reviewed at the regular session of the GATT;

(4) full compensation to be granted to workers who, because of international competition, become unemployed; this compensation should cover the transitional period until their reincorporation into the production process, also trade retraining and moving to other places of residence. Measures must be demanded in favour of reorganisation or conversation of firms affected and, depending on circumstances, the establishment of new industrial concerns in the areas in question;

(5) employers contemplating major production and investment decisions, especially transfer abroad of production establishments, which affect the welfare of their workers, to provide the competent unions with full information and negotiate with them in a sense of profound social responsibility towards their labour force, the community and the country where they are operating.

IMF affiliated unions, which represent the interests of eight million metalworkers in the free world, join all their forces, in order, through specific action

in keeping with the principles set forth in the preceding points, to achieve and maintain full employment, with fair labour standards, for workers in all countries.

They demand that:

All governments must conform to the international rules of a policy of free trade, drawn up out of a sense of mutual responsibility for economic and social progress,

Countries in the free world maintain dynamic economic development, and

The structural changes which must unavoidably occur in an ever more closely inter-related world economy, with its mounting dynamism, must be accompanied by growing job opportunities.

THE RESOLUTION IS ADOPTED

Source: International Metalworkers' Federation Minutes of the Nineteenth Congress of the International Metalworkers' Federation, 1961—pp. 146–148

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AUTOMOBILE MANUFACTURERS ASSOCIATION, INC.,
*Washington, D.C., May 20, 1970.*

Hon. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,*
*House of Representatives, Washington, D.C.*

DEAR MR. MILLS: The membership of the Automobile Manufacturers Association wishes to express its support of the basic principles and purposes of the legislation proposed in H.R. 14870, the "Trade Act of 1969", which is currently under consideration by the Committee on Ways and Means of the House of Representatives.

The Automobile Manufacturers Association has long supported and continues to support efforts to facilitate and expand trade and investment among countries in the firm conviction that the principles of free market competition and private enterprise initiative are as valid in the world market as they are in the domestic market. Realism suggests, however, that these efforts, to be at all successful and acceptable, will continue to require the strictest possible adherence by all countries involved to the concept of reciprocity. It is in the belief that the provisions of H.R. 14870, including especially those relating to the issue of American Selling Price, can considerably enhance the position of the United States in a continuing pursuit of the removal of remaining international trade and investment restraints through reciprocal actions that this Association urges their favorable consideration by your Committee and subsequent enactment by the Congress.

Respectfully yours,

THOMAS C. MANN, *President.*

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THE COOPERATIVE LEAGUE OF THE U.S.A.,
*May 14, 1970.*

Hon. WILBUR D. MILLS,
*Chairman, Ways and Means Committee,*
*U.S. House of Representatives, Washington, D.C.*

DEAR CHAIRMAN MILLS: In its fifty-four year history there has been no subject repeatedly examined in the continuing debates of our democracy upon which the Cooperative League of the USA has been more consistent than its sturdy support of a freer trade policy between our country and its neighbors around the world.

As the oldest voice for the customer-owned businesses of every type in the American economy, the League has based its support for the freest possible movement of goods on the dual grounds that it is good for the economy and—not incidentally—it is a strong underpinning for our political health and because it generates friendlier relations with other nations and peoples.

Now that a new, more strident chapter in this long debate threatens to break out, we feel an obligation to restate our support for those in business and public life who refuse to lose sight of the solid values for all of us in taking the long range view that there have been and continue to be benefits in keeping the channels of trade free of tortuous and artificial barriers.

Long before the recent upsurge of concern for the American consumer, the Cooperative League of the USA was pointing out the stake of the consumer

in freer trade as a means of insuring competition in the marketplace from which every family stands to benefit.

We have never pretended that this subject is other than difficult and complicated in detail. Specific segments of U.S. industry do indeed experience difficulties in varying degree from lower priced imports, notably textiles and shoe manufacture, and they are entitled to sympathetic attention from our policy makers. However, the danger is acute that in caring for these legitimate concerns our policy can easily become a Christmas tree with something on it for everyone, the deserving and undeserving alike, as a result of political log rolling and narrow sectionalism.

Another concern is that by more restrictions we close our doors to products of less developed countries which are recipients of our foreign aid and thus keep them from earning their way, with the inevitable result that we put new burdens on our foreign aid budget as pressure mounts to make up with grants what we prevent them from earning by their own efforts.

Because history has shown us time and again that attempts to solve short term problems by trade barriers are invariably self-defeating, we are constrained to point out that we reap a whirlwind of troubles.

(a) by spreading political turmoil and civil unrest in countries against which we raise tariff walls,

(b) by affording protection to the weakest and least viable of American businesses which continue to exact insupportably high prices behind our self-made walls to the detriment of the American consumer who must pay the difference,

(c) and by bringing into jeopardy the whole carefully erected and interdependent system covered by the General Agreement on Trades and Tariffs of the early 60's into which years of the most delicate negotiations were invested.

We urge that this latest review of American trade policy not sacrifice this painfully won progress for short run and often illusory benefits which history teaches us will boomerang at great cost to our own prosperity while further endangering the peace of the world.

Sincerely yours,

STANLEY DREYER, *President.*

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SEABOARD WORLD AIRLINES,
*Jamaica, N.Y., June 11, 1970.*

Re Trade hearings.

Hon. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means, House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Seaboard World Airlines, Inc., as the sole U.S.-flag all-cargo carrier certificated for transatlantic scheduled services, is directly affected by governmental measures which tend to limit or restrict the growth of international trade. For this reason, Seaboard World is greatly interested in the hearings that are being conducted before the Committee on Ways and Means on United States trade legislation and policy. It is the purpose of this letter to bring to the Committee's attention the concern of Seaboard World that legislation to be enacted promote the expansion of international trade.

The United States is the largest single trading nation of the world. In addition to the many other benefits that this role in international trade has brought to the United States, it has also engendered the sound and energetic growth of the United States international air transport industry, an invaluable adjunct to our traders and shippers and to the economic and political position of the United States in world affairs. The maintenance of a strong and effecitve United States air transport industry has an importance to the United States that transcends the monetary value of the commercial cargo revenues earned by our air transport companies. Seaboard World therefore believes that in preparing its recommendations on trade legislation that has been proposed, this Committee, and the Congress in its deliberations, should take into account the effect that such legislation will have on its international air transport industry.

Seaboard World requests that, in reviewing this aspect of United States international trade policy, the Committee consider, in particular, the following points:

1. *Seaboard World contributes substantially to the military airlift program and the national defense readiness of the United States.* Seaboard World has committed to the Civil Reserve Air Fleet program (CRAF) its total fleet of modern, long-range, turbine-powered equipment, fully convertible into uncompromised cargo aircraft. This fleet consists of eleven DC-8-63F aircraft and one DC-8-55F aircraft. This fleet was acquired, in part, in support of the guidelines and policies of the military airlift program. In this connection, it should be noted that the *Presidentially Approved Courses of Action* resulting from the Report of the Department of Defense to the President (*The Role of Military Air Transport Service in Peace and War*, February, 1960) set forth "the objective of insuring optimum effectiveness and responsiveness of commercial airlift services to the Department of Defense under all conditions".

During the past year the use by the military of commercial airlift has decreased tremendously, forcing many of the CRAF carriers to rely upon commercial operations for their economic viability. Seaboard World has to look to increased transatlantic commercial cargo operations to achieve a sound and profitable position. Any restrictions on that transatlantic trade will limit Seaboard World's operations and its ability to respond in times of emergency to national defense needs.

2. *Seaboard World's operations require that international trade grow constantly and that it grow with respect to both exports and imports.* The continuing growth of international trade is essential to all U.S.-flag international air carriers because their is a constant influx of new foreign carriers in the market diminishing the share of market that each carrier can capture. Moreover, a cargo shipment, unlike an international passenger, normally travels in only one direction. Thus, it is necessary to obtain air freight flowing in the other direction to maintain economic operations.

If the flow of imports is substantially reduced through U.S. governmental restrictions or limitations, the airline industry will immediately face a loss of revenues. Moreover, such limitations are likely to be followed by countervailing measures abroad to limit United States exports. Illustrative of such a possible measure is H.R. 16920, a bill introduced April 13, 1970, that would limit the imports of textile articles and leather footwear. The items that such a bill would cover are air transportable and provide substantial revenues to U.S.-flag transatlantic carriers. In 1969 American scheduled airlines transported some 104 million pounds of footwear and textile products from Europe to the United States, representing approximately 27 percent of their westbound air freight. Reduction of these items would thus have a heavy impact on their services. Seaboard World urges that measures such as H.R. 16920, that would limit international trade to the detriment of American carriers, should not be adopted.

3. *Seaboard World strongly supports and promotes United States exports.* A major objective of United States international trade policy is to ensure the constant increase of United States exports. Seaboard World's own interests dictate that this too must be one of its major objectives. It contributes to attaining this objective by improving and expanding its air transport services for American exporters and shippers. In 1964 Seaboard World received the President's "E" Certificate for Export Service presented by the Secretary of Commerce for its outstanding contribution to the Export Expansion Program of the United States.[1] Seaboard World has continued its intensive program to assist and support American exporters. Its efforts in this respect, however, would be greatly hampered if the United States were to adopt legislative measures that would restrain the growth of international trade.

For these reasons, Seaboard World urges that the Committee consider the effect that new legislative measures would have on the U.S. international air transport industry, and refrain from recommending the adoption of measures

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[1] The Citation contained in its "E" Certificate read as follows:

"Citation Seaboard World Airlines, Incorporated, has achieved a dramatic expansion of air cargo export shipments through an intensive program of promoting overseas trade for U.S. industry. The airline has found markets abroad for non-exporting firms, aided them to participate in trade fair and trade center exhibits, arranged business contacts, advised on foreign merchandising, financing and credit in addition to providing many other services. This program, which has helped to develop outstanding exporters, reflects credit on Seaboard World Airlines and its employees and has contributed materially to the economic growth of the United States."

that would diminish the expansion of international trade. It is respectfully requested that these views of my company be considered by the Committee and that this letter be included in the record of these hearings.

Respectfully yours,

JOHN H. MAHONEY.
*Senior Vice President.*

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NATIONAL FEDERATION OF INDEPENDENT BUSINESS,
*San Mateo, Calif., May 20, 1970.*

Hon. WILBUR D. MILLS,
*Chairman, House Ways and Means Committee,*

MY DEAR CONGRESSMAN MILLS: Enclosed is copy of a letter I wrote to His Excellency Kiichi Aiche, Envoy Extraordinary and Minister Plenipotentiary, Office of the Foreign Minister, Tokyo, Japan, which I am submitting for the record of the Hearings, and to comment briefly (also for the Hearings), as follows:

The United States cannot afford to tolerate the idea any longer, that American industries and the jobs of our workers are "expendable" in the name of "free trade".

No other country in the world has adopted such an attitude with regard to American exports, while we actually have approached an area of thought in this country that whole industries are expandable if they cannot meet the low wage, low tax, and otherwise subsidized competition from abroad.

These United States were supposed to have grown strong on the nourishment of a profit economy, and if this is fact, then any future exchange of either domestic or foreign goods and services must be profitable from the ground up; otherwise, the workers in foreign plants will never be able to purchase OUR high wage, high tax, high production and distribution cost of goods and services.

On this score we have done a miserable job of selling even in our own country, and right now the shoe and textile workers and their unions who are shouting for relief, have no basic philosophy from which to shout. They just know they are being hurt, the pitiful fact being that textile workers are wearing foreign made shoes, and the complaining shoe workers have a houseful of foreign textiles, and a foreign made car on the driveway.

All well and good—IF these foreign countries can take a bigger and bigger share of our market where the rules of the game are the same. The facts are, however, that importers are NOT competing according to any rules of fair competition which we claim are necessary to the preservation of basketball, football, horse racing, golfing, or any other sport, but seldom necessary between competitors in the American market place.

My conclusions concerning added restrictions on the flow of imports that are killing off our ranchers, small farmers, small businessmen, big businessmen, and the jobs of countless thousands of workers, is simply this:

*Let the United States—the Congress and the Administration—tell all countries shipping goods over our borders, that we welcome their competition providing it is both fair and free. Take the "fair" out, and there will be non "free", and if these importers wake up to this fact, they will see that future trade with this country calls for a policy that expands our buying power—not one that contracts it under the heading of expendable.*

With quality workmanship deteriorating in the United States, to a point of near disaster, and with the unions constantly crying for more money for less work, we need real competition from abroad to put American workers and factory owners back on their toes—but not competition that puts them on their 'something else'.

Contrary to all arguments favoring free trade, there are two kinds of competition: the kind that makes consumers, and the kind that consumes consumers. The latter has been rampant all along the foreign trade front, and the ultimate end would leave our economy in a near shambles of bankruptcy, federal relief, and human discontent.

Sincerely,

ED WIMMER,
*Vice President, Public Relations Director.*

Enclosure.

## APPENDIX I

RADIO BROADCAST #130 WPFB, MIDDLETOWN, OHIO, BY ED WIMMER, VICE PRESIDENT, PUBLIC RELATIONS DIRECTOR, NATIONAL FEDERATION OF INDEPENDENT BUSINESS, INC.

Tonight, ladies and gentlemen, I am going to devote most of my time to a letter we have directed to His Excellency Kiichi Aiche, Foreign Minister of Japan, that deals with the growing deplorable state of our foreign trade policy. Our letter to His Excellency is in answer to his recent statement.

"Retaliatory steps may be taken by several nations if the United States adds new restrictions on imports."

Our Open Letter follows:

EXCELLENCY: I have read with deep concern that you have made some very indignant and even threatening remarks with regard to widespread retaliation against the United States by several countries, if our Administration should adopt long delayed measures which would, in some degree, protect many American industries from annihilation, and possibly give some protection to millions of workers facing the loss of their jobs.

The United States is the only country in the world that not only contributed vast sums of money to rebuilding war torn nations like Japan, but billions of dollars were literally donated to create hundreds of modern plants that are now shipping their low wage, low tax goods into our country.

America is the only country in the world whose officials ever adopted a tariff policy based on the proposition that its own plants and workers are—EXPENDABLE if, by liquidating same, we are providing both foreign aid and strengthening foreign competition.

Let me ask you, what good can come to Japan from a bankrupt North Carolina textile mill, a bankrupt shoe factory in New Hampshire, or a closed tile factory in Cincinnati, Ohio?

It should be of the utmost interest to you and your countrymen that our people retain their jobs at high pay, and that our industries continue to expand, for where else will you be able to sell so many cars, cameras, motorcycles, television sets, dishes, toys, plastic products, transistors, or work tools?

A few years ago it was my privilege to address a convention in Chicago, where your country had many products on display. I visited all the booths and spoke with the people behind the counters. It was an experience that I said at the time was a little frightening, for I had never found more aggressive, courteous and knowledgeable people manning the booths, and, unlike a few years earlier, the shoddiness of your products was gone, and prices were far below the levels of our own goods.

My remarks before the convention crowd were directed more to your countrymen than to anyone else in the audience, and I asked them if they were afraid to pit their products and their salesmanship against American businessmen and workers in a market governed by a tariff structure that did not protect inefficiency but did protect efficient industries against competition based on wages and taxes far below their own.

What is the difference, I asked them, between the cutthroat competition of the big chains and discounters who have made a shambles of free and fair trade in our towns and cities, and your country coming in with goods subsidized by wages and taxes far below what must be passed on in our goods and services?

In the case of the big chains, they were subsidized by their suppliers and they (the chains) used these subsidies to finance their loss leaders, and left countless thousands of independents on bankruptcy row. And so I repeat, how many TV sets, cameras and cars will you be selling on this best of all markets if our system breaks down from unfair trade from within and from without?

Senator Thomas J. McIntyre (N.H.) is attempting to get at least SOME protection against further loss of businesses and jobs in his State. He noted the closing of over 200 shoe factories in the U.S. since 1957, and at a time of our greatest expansion. Shoe workers in Taipan, for example, earn 22¢ an hour, less than one-tenth our wage level, and I wonder to what extent we furnished the money and know-how to build those factories?

Stop and think of the loss in hide sales by our ranchers and farmers, and all the raw materials and raw labor that go into shoe manufacturing—to say nothing of machinery and taxes—money in the bank and all things that come from high employment at fair wages. . . . Stop and think, also, what Japan

would be doing if we proposed that the shoe be "put on the other foot" for a while; that you subsidize our factories by buying our shoes.

Senator Sam J. Ervin, Jr. (N.C.), who is a protectionist only to the extent of protecting his state and country from ruin, points out that textiles are the very lifeline of his entire area, and let it be noted here that the employment of minorities is the highest in the South, per capita, than in any other part of our country.

The press reported recently that the Zenith Radio Corporation will soon be operating in Taipan, resulting in the loss of 4,000 American jobs. The president of Zenith roared his disapproval of such a foreign trade situation, but said his company is helpless to do otherwise and still survive.

So I ask again, what would you say, Excellency; what would your country do to stop the United States from putting a single one of your factories out of business?

Despite the enormous trade you have with America, our industries are barred from setting up or buying into Japanese industries, for which I admire your country, and only wish, as I said earlier, that American businessmen and American public officials were half as protective of our markets.

I recall the words of your Mr. Yosomatsu Natsubara, Chairman of the powerful Hilachi Shipbuilding & Engineering Company, who warned that "chaos will reign in Japan if U.S. industries are allowed to enter our country unhampered by tariffs." . . . Ken Okubo, president of the giant Mitsuibishi Electric Corporation, was equally emphatic, and especially so with regard to the harm that would come to Japanese small businessmen if Japan opened its markets to American big business.

You are familiar, I am sure, with the longtime attempts of Congressman John Dent (Pa.), whose tireless fight for a fair domestic and foreign trade policy has been carried into every corner of the nation. Undaunted by the brand of "protectionist"—Mr. Dent has continued to insist that "no nation can keep its affluency without jobs for every grade of worker—from top to bottom and from bottom to top," and he has proven beyond doubt that "one-way trade: destruction of domestic industries and jobs by whatever means, creates a two-level society—the rich and the poor—leaving the middle class as a stepping stone to chaos." Mr. Dent's formula is simple:

"The economic laws of an industrial economy are based on three equal factors: production, distribution and consumption, no one of which can stand alone; one being harmed harms all, and harmed enough, becomes fatal."

Like the dauntless Mr. Dent, we believe that a healthy economy in Pennsylvania (which State he has served for so many years) is the best safeguard of a healthy exchange of goods between the people of Pennsylvania and the people of Japan, and I think you are selling your countrymen short by insisting they be subsidized by our high taxes, high wages, short hours, and huge debts—many of which were accumulated by giving aid all over the world, and, I might add, especially to Japan. No country on earth, including our own, has matched the aggressiveness of your people, and I say they can come into this market under tariff restrictions that prevent the destruction now taking place, and capture more than a fair share of our markets.

Right at the moment, our side of the import-export picture, when looked at in totality, appears to be somewhere near the safe side of what we so loosely term balance of trade, but what has this got to do with our entertaining a policy that this or that kind of job or business is expendable??? . . . Do you have any expendable industries? Any jobs that are expendable? Would you or anyone in your government, or in the business world, accept an exchange of trade that created a displaced army of workers and disillusioned businessmen, in Japan?

A few years ago I dispatched a letter to a Japanese retail organization, and urged the members to oppose an invasion of American-Japanese type supermarket discount stores and trading stamps, and over 3,000 independents roared their approval at a meeting in Tokyo. I understand the government acted favorably in this matter. My contention was that Japan's independent enterprisers are your last line of defense against the monopoly-socialism represented in the huge corporate combines in both our countries.

General MacArthur warned you, just as he warned his own country, to end concentration of economic power before it is too late, and you now wish to turn your giants and their counterparts—the American giants—being scattered across the world, loose in our inflated marketing situation and thereby destroying what we all must have: a free and fair market place in which to exchange our goods, our services and our friendships.

When I emphasized this need in my talk before that Chicago convention, one of your lovely ladies shook hands with me at the door, and said:

"Mr. Wimmer, why doesn't your government talk to us like this?" She added: "You have frightened me terribly."

In Miami, at a convention of office machine manufacturers, a Swedish official rose on the banquet floor and said:

"I endorse what Mr. Wimmer has said about fair trade. We do not need to be subsidized to match our products against any country."

Ours is a nation of welfare benefits, debts, cold wars, monopolistic combines and chains, high interest rates, old age security, back-breaking taxation, high wages in most areas, racial strife, urban renewal, pollution problems, record crime, and colossal gaps in our communication with each other and the outside world, and if we do not take every step within our power to revitalize our domestic markets, save our family farms, small businesses, local banks, and restore the Jeffersonian philosophy in this country, the Japanese, the Americans, and the people of the whole world are going to lose their last best chance to help bring order to a disordered world.

May I, in conclusion, call upon the Japanese Foreign Ministry, and upon our own Congress, to assess the arguments which are offered in behalf of a system of free and fair trade, as against a system that utlimately destroys both domestic and foreign participants.

Unregulated competition is the competition of the tooth and the claw. The consumption of both competitor and consumer, and this is the kind of competition you would have us accept or "face retaliation from several nations."

There isn't a nation in the world that doesn't need our markets, our aid, or both, so who can afford to retaliate if all we are doing is to create a market in which all can do business, and grow?

APPENDIX II—BROADCAST #141, WPFB, MIDDLETOWN, OHIO, BY ED WIMMER, VICE PRESIDENT, PUBLIC RELATIONS DIRECTOR, NATIONAL FEDERATION OF INDEPENDENT BUSINESS, INC.

COMPETITION THAT CONSUMES COMPETITION

Submitted as supplemental testimony for the Record of the Hearings on Foreign Trade, by the Committee On Ways and Means, U.S. House of Representatives. Congress of the United States, the Honorable Wilbur D. Mills, Chairman.

This week, ladies and gentlemen, we are going to present a few rather startling sidelights on the present controversy over foreign competition, and give you some added support for our conviction that the foreign trade policy of the United States is actually a threat to the entire structure of the world market.

It is a dangerous threat because we are permitting low wage, low tax, subsidized goods from all parts of the world to undermine our economy, and if the American economy goes down, the world markets will go down with it. . . . Hence the American threat to other countries, either with or without any real trade ties to the U.S. economy.

Free trade experts seem to be blind to this fact, and this includes State Department officials, foreign trade policy makers, labor leaders, business organizations, and Administration officials, and I believe for one reason alone: an apparent inability to understand (or admit) that an exchange of goods and services must be fair to be free, whether domestic or foreign; and this country has experienced little of either since the end of World War II.

Let me give you a few examples to prove our case for free and fair trade, but first, I ask you to weigh the statement of a former vice president of the American Federation of Labor, Mr. Matthew P. Woll:

"People who sell goods at prices lower than anyone else can meet, are now considered benefactors. The day will come, however, when they will be looked upon as criminals, and then a law will be passed permitting no seller to offer goods except under distressed conditions, at prices which do not show a fair profit on top of a fair wage."

When foreign traders pour billions of dollars worth of goods over our borders that are produced under wage and tax rates far below our own, and often subsidized by the governments of those countries from which the goods were shipped, a high wage, high tax, high standard of living nation like the United States cannot produce its goods in competition with these importers, and their low

wage workers do not earn enough to buy our goods even if they let us cross their borders free of tariff restrictions.

Another little understood fact is the self-inflicted tariffs we have put on our own goods in the form of high wages, confiscatory taxation, short workweeks, excessive overtime pay, fringe benefits amounting to more than a full day's pay in most countries, plus transit charges so great that in order to compete at all, American ship owners hire foreign crews, flying foreign flags.

To make matters more intolerable, American banks, insurance companies, and great industries have invested billions abroad and are shipping goods into this country under the above working conditions, tax rates, etc., actually destroying their own home based operations. American subsidiaries export tractors, automobiles, tires, lawn mowers, sewing machines, typewriters, computers, recorders, textile products—everything you can think of—pitting their own people abroad against their own people at home, in a trade war that has but one ending: their own self-destruction.

Karl Marx saw it coming 150 years ago. He said exactly what they are doing now: devouring themselves in the world markets, and his writings depict the exact conditions we now face, "ending," he said, "in socialized labor and collapse of the capitalistic world."

John Dent, Democratic member of Congress from Pennsylvania, has long predicted a depression that will make the 1930's look like a picnic—if our foreign trade policy isn't changed. Congressman Robert Taft, Jr., Ohio, recently pleaded with the Tariff Commission for relief for the piano industry, which he said is in a "death struggle" with Japan's piano makers who sold 20% of their production in the United States in 1968 and 1969.

Imports knocked out "20,000 shoe worker jobs between 1955 and 1967, and 1200 in 1969," reports Senator Thomas McIntyre (N.H.). He points out that "236,000 U.S. shoe workers could face the same fate, and their owners ultimate bankruptcy if barriers are not erected against the rising flood of foreign made footwear." Georgia's Senator Herman Talmadge, with equal fervor, charges that "our grossly unfair and superficial attack on the textile industry is resulting in the displacement of 227,000 workers if figured on the basis of 1968 imports of textiles."

Senator Talmadge wants to know if our government is going to allow the U.S. textile industry to simply wither away, the biggest of all industries, and taxpayers in more than a dozen states—to pacify Japan—a nation that has the highest trade barriers in existence against the entry of 130 categories of American goods.

Let me ask you, and ask the members of Congress and the Administration in Washington, was it a weakness on the part of our industrial system, and a loss of workmanship or economic statesmanship that caused us to lose our toy market? Our typewriter market? Our tile, motorcycle, wallboard, textile, shoe, plastic, china, American flag sales, ship building, camera, transistor, recorders, tools—et cetera, or was it a lack of political statesmanship in dealing with the export-import problem? Are we suffering from a lack of know-how or is part of the problem due to our giveaway programs? Our buildup of the factories and bank deposits of conquered and undeveloped nations? Our huge debts, mounting tax burdens, and a policy of expendability when considering American industries and jobs? Just who are we trying to appease? And at what cost?

Zenith Radio Corportation is setting up a plant in Taipei to make television sets. The company says it's either that or go broke paying U.S. wages and taxes against the low wages and low taxed competition of Japan. In the case of Zenith, this one move will add 4,000 workers to the unemployment rolls. Wages in Taipei are as low as 22¢ an hour. . . . Congressman Lester Wolff (N.Y.) visited a plant in Japan that was turning out 1,700,000 TV tubes for U.S. consumption. His observation was that Japanese industries and workers are united in a fervent drive to conquer the world market. One Japanese businessman said, smilingly: "We will be the next General Motors in your own country."

My letter to the Foreign Minister of Japan was reprinted in the Congressional Record. I asked the gentleman how his country could expect to sell cars to bankrupt textile mill owners and unemployed workers. How he expected to sell cameras, boats, bicycles, toys and firecrackers to jobless shoe company workers and bankrupt textile company officials. He hasn't replied, but when I asked an audience Japanese exporters meeting in convention in Chicago if they were afraid to enter this market on equal competitive terms, the response was a resounding NO.

Where a principal trouble has been is in our failure or inability to understand

and sell a free, fair, private, competitive enterprise policy. Our officials seem to have lost all confidence in Uncle Sam's ability to go out and meet competitors in a free and fair marketing climate; which is like our fear of communism. We have shivered and shook over the prospect of some second rate foreign trade official telling us he won't let us sell our chicken feed in his country, if we don't buy all his chickens. I believe most of our State Department people sold themselves on this myth: that by putting up a few trade bars to save our own industries and factories, we will cause some of these fair weather friends to turn to Russia. . . . For what? They can't produce enough goods for themselves—unless it's war materials.

As long ago as 1945, our National Federation of Independent Business polled its members on a bill proposing that America junk her synthetic rubber plants and buy all her synthetic rubber needs abroad. The members voted 95% NO. Again in 1953, we put a bill before the membership (introduced by Congressman H. R. Gross, Iowa), in our Mandate, which would have forbid excessive imports of goods in surplus supply in the U.S., and again our members voted to protect American markets. Every year since 1953 we have used our publications to present arguments for and against reasonable trade restrictions which were both free and fair, and as our Federation grew to its present 283,000 business, professional and farmer membership, this sentiment has continued to prevail.

On one of our nationwide ballots in 1966, our members voted 64% FOR and 27% AGAINST restrictions on dairy imports and other farm products. In 1967 we had a close vote on a bill providing relief for industries unable to compete with imports, which included training of workers displaced and payoffs for owners. I personally was opposed to this relief because I said that no American business and no American job should be blacklisted as "EXPENDABLE". I further contended that no nation on the face of the earth would destroy its own farms, factories and jobs to make Uncle Sam a happy or more prosperous fellow.

In closing I say to you that Japan's businessmen are not contributing to the welfare of our farms and chruches, to our schools and colleges, our Chambers of Commerce, or welfare, with their taxes, their contributions, or their payrolls, and neither are the Italian manufacturers or workers when they ship us their goods produced under conditions we cannot match. If they come into this market in a willingness to compete on even terms, and are willing to pit their products and salesmanship against our products and merhcandising abilities, under conditions I have mentioned, let them come, and let there be no limits put on them for the amount of goods they are able to sell.

Our manufacturers, farmers and workers deserve no special protection such as the barriers Japan and other nations have erected against us if the competition is free and fair. There isn't a nation in the world that doesn't need American know-how; America's friendship; America's dollar power, and the hopes and freedoms still left in our battered but unbeaten spirit of free enterprise.

It could be that Senator McIntyre may have added something for you to think about when he revealed figures showing a one hundred percent increase in shoe shipments from Spain—where shoes are produced in factories hiring children as apprentices on a two-year no compensation contract.

My question is, who are we helping under such circumstances? The children of Spain? Are we not patronizing and promoting the same sweat shop production our dollars are fostering when we do not insist on some kind of trade relations that raise the living standards of our competition?

It's a tough question, and Congress may find an answer in the present hearings. We, of the National Federation of Independent Business, hope so, and we are greatly indebted to Hon. Wilbur Mills, Chairman, Committee On Ways and Means, U.S. House of Representatives, for his usual unfailing support of this country's best interests, and for inviting us to submit our testimony before the Hearings on Foreign Trade.

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STATEMENT OF SPAIN-U.S. CHAMBER OF COMMERCE, INC., MARIANO BAGUENA, EXECUTIVE SECRETARY

I. INTRODUCTION

Spain-U.S. Chamber of Commerce, Inc. is a New York membership corporation. It is composed of individuals and firms in the United States who are engaged in trade or commerce with Spain.

This statement is submitted to express the views of the membership of the Chamber with respect to the provisions of H.R. 16920 intended to establish

quotas restricting the amount of textiles and leather footwear to be imported into the United States.

Both textiles and footwear have recently become an increasingly important element in trade between the United States and Spain. The restrictions on the importation of these articles proposed in H.R. 16920 will affect not only those members of the Chamber who are engaged in importing these particular commodities but it is felt that the impact of such restrictions on trade between the United States and Spain will also seriously affect all others who are engaged in commerce between the two countries. Spain-U.S. Chamber of Commerce, therefore, takes this position in opposition to the quota provisions of H.R. 16920.

II. BALANCE OF TRADE BETWEEN THE UNITED STATES AND SPAIN

The United States enjoys a favorable trade balance with Spain. The following table sets forth the figures for the years 1967, 1968 and 1969:

| Year | U.S. exports to Spain | U.S. imports from Spain | Balance in favor of United States |
|---|---|---|---|
| 1967 | $520,176,904 | $220,874,469 | $299,302,435 |
| 1968 | 517,824,615 | 307,742,718 | 210,081,897 |
| 1969 | 580,453,631 | 303,975,639 | 276,477,992 |

In the same period total U.S. dollar value of all footwear imported from Spain (the great bulk of which would be included in the definition of leather and vinyl footwear used in H.R. 16920) has been as follows: *

*Dollar value of footwear imports*

| Year: | |
|---|---|
| 1967 | $23,079,570 |
| 1968 | 47,831,124 |
| 1969 | 73,812,145 |

It is significant to note that United States exports to Spain increased between the years 1967 and 1969 in exactly the same amount as the value of footwear imports increased during the same period. The net increase in footwear imports has been entirely applied to finance additional purchases by Spain in the United States. The result of restrictions on the sale of Spanish shoes in the United States will affect both sides of the trade between the two countries. It is to be expected that the amount by which footwear imports shall be reduced will cause accompanying reductions in the amount of funds available to finance purchases by Spanish merchants in the United States.

III. FOOTWEAR—WHAT WILL HAPPEN IF QUOTAS ARE IMPOSED

The increase in exports of footwear from Spain to the United States in the last several years is a direct result of the initiative of American importers. In many cases the firms that are importing from Spain also manufacture shoes in the United States. The footwear that is manufactured in Spain for the American market is styled and designed especially for the market here. If quantities of shoes to be imported from Spain in the future are rolled back to 1967–1968 levels, as proposed in H.R. 16920 the large part of the trade will disappear.

Importers of Spanish shoes polled by the Spain-U.S. Chamber of Commerce have uniformly reported that the provisions of H.R. 16920, if enacted, will have a devastating effect on their businesses. Most of those responding have indicated that they will be forced out of business with a resulting loss of all monies invested in the development of the trade.

It is doubtful that any part of the trade will survive the kind of severe setback these quotas will impose. Prices that enable importers to profitably do business in Spanish shoes on the American market depend on volume level and if volumes are cut, increased prices will force most importers out of the field.

IV. BENEFITS FROM IMPORTS

The recently developed trade in shoes between the United States and Spain has resulted in a number of benefits in the United States which will be lost if quota legislation is enacted.

*All figures are from the U.S. Department of Commerce. A detailed breakdown by shoe types for imports of footwear in the years 1967–1969 is attached as Exhibit A.

The competitive effect of Spanish shoes on the American market has been to lower prices to the American consumer. If the trade is seriously affected by quotas one can expect that there will be a concomitant increase in prices for the types of footwear that will be thus excluded.

In many instances the importation of shoes from Spain has stimulated American production. Women's shoes have laways been a fashion item with types and styles changing rapidly from season to season. Men's shoes have become almost as much a fashion item as women's shoes. Shoe marketers take great risks in preparing new designs and styles for the market. In recent years the ability of the American manufacturers and importers to work with Spanish producers has been an important factor enabling them to keep pace with the changing market.

The accelerated rate of change of styles in both men's and women's shoes made possible by the use of production facilities in Spain and other foreign countries has served to increase the overall market. Fashion-conscious American consumers are buying shoes more often to keep pace with style changes. This increase in consumer demand has in many cases worked for the benefit of American manufacturers. Very often a style which has been introduced by an imported shoe becomes so popular that American facilities are used to meet the demand generated in the first place by the import. In many cases the shoe importer will use the foreign manufacturing facilities only to establish the style and will then make up the balance of the demand out of American production. A recent study of the shoe industry* noted this phenomenon saying "Trade sources state that foreign producers often receive the initial orders for a new shoe style, but that reorders are usually placed with domestic factories."

Much of the machinery and equipment employed in the expansion of Spanish shoe production capacity has been purchased from the United States shoe machinery manufacturers. If quotas are imposed, sales of this kind of equipment and machinery will cease to the detriment of the American industry producing the same.

## V. QUOTAS WILL NOT CURE THE SHOE INDUSTRY'S PROBLEMS

It is not the purpose of this statement to examine the troubles that beset the American shoe manufacturing industry or to suggest remedies for them. It is sufficient to state that all recent studies, including those by the Tariff Commission in 1969 and 1970, by the Federal Reserve Bank of Boston in 1970 and by the President's Inter-Agency Task Force in 1970, have all come to the conclusion that the problems facing the shoe manufacturing industry do not stem from increased imports and will not be cured by restricting them.

## VI. TEXTILES

The textile trade between Spain and the United States as far as cotton goods are concerned has been controlled under the Long-Term Agreement. In recent years Spanish producers have begun to export quantities of textiles and apparel not covered by the Long-Term Agreement. This trade has only begun to develop in recent years and the imposition of quotas based on a 1967–1968 standard will serve to completely disrupt and demoralize this trade.

The Chamber is advised by those engaged in this commerce that the passage of quota legislation such as that envisaged in H.R. 16920 will effectively terminate their business.

## VII. CONCLUSION

This country has taken the lead in the years since World War II in reducing trade barriers and building a regime of liberal international commerce. The passage of this legislation will mark a reversal of the direction taken by the United States and the entire world over the past quarter of a century. Trade restrictions such as those that are proposed in this legislation will result in retaliation by other countries and the entire system could eventually revert to the kind of ruinous trade struggle that took part in the early part of the century. All members of this Chamber, engaged as they are in the conduct and promotion of international commerce, would be reluctant indeed to see these things take place and, therefore, urge that the Committee in all respects take unfavorable action on all quota legislation before it.

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*Does the Shoe Still Fit New England, Federal Reserve Bank of Boston, New England Economic Indicators, March 1970, p. 4.

EXHIBIT A.—IMPORTS OF FOOTWEAR FROM SPAIN FOR 1967, 1968, and 1969

| | Net quantity | Value |
|---|---|---|
| **1967** | | |
| 8510180 Footwear with supported vinyl uppers, NES, except soft soles for females, children, and infants (pr) | 63,412 | $50,984 |
| 8510190 Footwear, uppers over 90 percent rubber/plastic, NES, including soft sales with supported uppers (pr) | 816 | 1,571 |
| 8510205 Huraches and moccasins of leather, and leather footwear with molded soles laced to uppers | 4,161 | 9,561 |
| 8510217 Footwear, welt, athletic, except ski boots | 3,414 | 19,854 |
| 8510223 Footwear, leather, welt, for work, over $2 per pair | 11,736 | 55,143 |
| 8510229 Footwear, leather, welt, NES, for men, over $2 per pair | 646,070 | 3,997,722 |
| 8510234 Footwear, leather, welt, NSPF | 16,446 | 69,219 |
| 8510237 Footwear, leather, McKay-sewed | 541 | 3,170 |
| 8510242 Footwear, leather, athletic, NSPF, except McKay and turn or turned | 6,871 | 16,156 |
| 8510243 Footwear, leather, for men, youth's and boys, NSPF | 2,101,823 | 6,494,910 |
| 8510246 Footwear, leather, NES, casulal, for women | 508,339 | 960,687 |
| 8510248 Footwear, leather, NES, cement, for women | 2,261,082 | 9,484,655 |
| 8510252 Footwear, leather, for women, NSPF | 74,416 | 195,791 |
| 8510254 Footwear, leather, for misses, children and infants, NSPF | 879,537 | 1,551,083 |
| 8510255 Footwear, leather soles, with fiber uppers, for men, youths and boys | 4,559 | 10,471 |
| 8510267 Footwear, leather soles, with fiber uppers, for women, misses, children and infants | 5,869 | 10,006 |
| 8510275 Footwear, fabric uppers, at least 10 percent rubber or plastic by weight | 110,737 | 118,083 |
| 8510280 Slippers, leather | 240 | 557 |
| 8510700 Footwear, NSPF | 101,927 | 29,947 |
| Total | 6,801,996 | 23,079,570 |
| **1968** | | |
| 8510170 Footwear with supported vinyl uppers, NES, except soft soles, for males (pr) | 3,864 | 4,585 |
| 8510180 Footwear with supported vinyl uppers, NES, except soft soles, for females, children and infants (pr) | 230,736 | 246,506 |
| 8510190 Footwear, uppers over 90 percent rubber/plastic, NES, including soft soles with vinyl supported uppers (pr) | 17,945 | 14,663 |
| 8510205 Huraches and moccasins of leather, and leather footwear with molded soles laced to uppers (pr) | 22,012 | 29,657 |
| 8510223 Footwear, leather, welt, for work, over $2 per pair (pr) | 12,217 | 61,641 |
| 8510229 Footwear, leather, welt, NES, for men, over $2 per pair (pr) | 931,648 | 5,592,840 |
| 8510234 Footwear, leather, welt, NSPF (pr) | 31,615 | 224,633 |
| 8510237 Footwear, leather, McKay-sewed (pr) | 4,942 | 10,076 |
| 8510240 Footwear, leather, turn or turned, for women and misses (pr) | 61,011 | 144,108 |
| 8510242 Footwear, leather, athletic, NSPF, except McKay and turn or turned | 14,622 | 42,395 |
| 8510243 Footwear, leather, for men, youths and boys, NSPF (pr) | 4,124,953 | 11,071,631 |
| 8510246 Footwear, leather, NES, casual, for women (pr) | 714,330 | 1,573,818 |
| 8510248 Footwear, leather, NES, cement, for women (pr) | 5,965,684 | 24,003,707 |
| 8510252 Footwear, leather, for women, NSPF (pr) | 500,607 | 1,731,988 |
| 8510254 Footwear, leather, for misses, children, and infants, NSPF (pr) | 1,524,739 | 2,849,651 |
| 8510260 Slipper socks with soles of leather (pr) | 792 | 3,573 |
| 8510267 Footwear, leath soles, with fiber uppers, for women, misses, children, and infants (pr) | 1,157 | 11,037 |
| 8510275 Footwear, fabric uppers, at least 10 percent rubber or plastic, by weight | 133,256 | 165,931 |
| 8510280 Slippers, leather (pr) | 2,156 | 6,174 |
| 8510700 Footwear, NSPF (pr) | 105,132 | 42,510 |
| Total | 14,413,418 | 47,831,124 |
| **1969** | | |
| 8510170 Footwear with supported vinyl uppers, NES, except soft soles, for males (pr) | 22,598 | 30,022 |
| 8510180 Footwear with supported vinyl uppers, NES, except soft soles, for females, children, and infants (pr) | 557,186 | 776,915 |
| 8510190 Footwear, uppers over 90 percent rubber/plastic, NES, including soft soles with vinyl supported uppers (pr) | 46,914 | 48,254 |
| 8510205 Huraches and moccasins of leather, and leather footwear with molded soles laced to uppers (pr) | 23,819 | 52,028 |
| 8510217 Footwear, welt, athletic, except ski boots (pr) | 13,320 | 92,966 |
| 8510223 Footwear, leather, welt, for work, over $2 per pair (pr) | 8,169 | 41,898 |
| 8510229 Footwear, leather, welt, NES, for men, over $2 per pair (pr) | 1,274,791 | 8,175,480 |
| 8510234 Footwear, leather, welt, NSPF (pr) | 18,255 | 66,505 |
| 8510237 Footwear, leather, McKay-sewed (pr) | 14,701 | 46,821 |
| 8510240 Footwear, leather, turn or turned for women and misses (pr) | 134,961 | 331,182 |
| 8510242 Footwear, leather, athletic, NSPF, except McKay and turn or turned | 18,450 | 37,267 |
| 8510243 Footwear, leather, for men, youths and boys, NSPF (pr) | 6,388,961 | 18,795,310 |
| 8510246 Footwear, leather, NES, casual, for women (pr) | 716,630 | 1,568,141 |
| 8510248 Footwear, leather, NES, cement, for women (pr) | 8,336,010 | 35,947,749 |
| 8510252 Footwear, leather, for women, NSPF (pr) | 885,070 | 3,284,368 |
| 8510254 Footwear, leather, for misses, children and infants, NSPF (pr) | 2,209,820 | 4,046,438 |
| 8510255 Footwear, leather, soles with fiber uppers, for men, youths and boys (pr) | 3,963 | 17,215 |
| 8510267 Footwear, leather soles, with fiber uppers, for women, misses, children and infants (pr) | 708 | 6,662 |
| 8510275 Footwear, fabric uppers, at least 10 percent rubber or plastic by weight (pr) | 226,462 | 282,613 |
| 8510280 Footwear, fabric uppers, at least 10 percent rubber or plastic by weight (pr) | 4,970 | 11,353 |
| 8510700 Footwear, NSPF (pr) | 73,391 | 152,958 |
| Total | 20,979,149 | 73,812,145 |

Source: FT135—U.S. Department of Commerce.

STATEMENT BY KNUD SORENSEN, PRESIDENT, DANISH AMERICAN TRADE COUNCIL, INC.

My name is Knud Sorensen and I am President of the Danish American Trade Council, Inc., New York, New York. The Trade Council's membership of approximately 120 consists largely of U.S. corporations and individuals striving to encourage and promote the two-way trade between the United States and Denmark. It is the only organization in the United States engaged mainly in the important task of promoting that trade.

Trade between the two countries has been markedly successful as the combined exports and imports between the two nations have increased from $258,900,000 in 1959 to $540,000,000 in 1969. In every year the trade balance has been in favor of the U.S. to the tune of $32,500,000 in 1959 to $45,500,000 in 1969.

U.S. exports of farm products constitute 15.85% of the total U.S. exports as compared with Denmark, 31.0% of whose exports are farm products. Despite the fact that Denmark relies so heavily on export of its farm products to support its trade with other nations, its purchases of farm products from the United States in 1969 exceeded $79,000,000—and of that, about $57,000,000 represent Oil Seed and Tobacco coming from almost every state represented by this Committee.

Foreign trade is even more important to Denmark than it is to the United States, as Denmark finds it necessary to export almost 23.3% of its gross national product as compared with 4.02% for the U.S.

In 1969 Denmark bought in the United States $292,600,000 worth of products—the leading commodities being oil seeds, grain, foodstuffs, tobacco, non-electrical machinery, transport equipment, electrical machinery, chemicals, textiles, textile fibers, clothing, etc.

Now, what items make up the bulk of U.S. imports from Denmark? In dollar volume the major items are canned meats (primarily hams), raw mink fur skins, electrical and non-electrical machinery, cheese, furniture, textiles and clothing.

Why are we concerned? Some of the Danish cheeses are already subject to import quota limitations. These and other Danish dairy products would be affected by numerous bills now pending. Danish hams and other canned meats would be limited under the provisions of bills now pending. Other bills are also pending which propose to limit U.S. imports of raw mink skins, and others advocate limiting imports of textiles.

Thus, we in the Danish American Trade Council who do business with Denmark are vitally concerned with import quota proposals which would bring about a shrinkage in the two-way trade we have laboriously and at great cost built up over the years.

The mere possibility of the enactment of quota legislation now before the Committee has a debilitating effect on the Danish-American importer and exporter. For the past 10 to 15 years Danish exporters and American importers have spent considerable funds in advertising and promoting Danish products in the American market, and American exporters and Danish importers have done the same in Denmark. Now, however, with the possibility of roadblocks being thrown up by this proposed legislation, able businessmen on both sides must begin to consider retrenchment in current expenditures in order to take care of a possible decline in future business.

After all, if important segments of Danish exports to the United States are placed in jeopardy by the legislation which Congress enacts, Denmark—by sheer necessity—could have no alternative to a revision of its trade policy vis-a-vis the United States, despite the fact that any such action would be completely foreign to Denmark's free trade philosophy.

Curtailment of the two-way trade between Denmark and the United States would also have certain side effects. Among other things, it would decrease the tonage of that trade carried on U.S. ships and thereby cut back the labor force utilized by shipping companies, by transportation companies, custom house brokers, warehouses, etc., who are now employed in facilitating the movement of U.S. products to Denmark and Danish shipments to the U.S. U.S. importers of Danish meats alone employ hundreds of people, contribute to the employment of hundreds of brokerage houses and food distributors who employ thousands of wage earners. U.S. companies promoting Danish products spend millions of dollars a year in the United States advertising these products and have invested millions in U.S. facilities to process and handle those products.

In the case of Denmark it is difficult to see why legislation blocking Danish sales of canned meat products, raw mink skins, cheeses, textiles, etc., is being proposed when you consider that the U.S. in 1969 sold almost 20% more goods in value to Denmark than Denmark sold that year to the U.S.—and especially when Danish purchases in the United States affect the manufacturing and farm products of all states, including those represented by each member of this Committee.

Denmark is a small country with only about 5 million people—but its 1969 purchases in the United States of $292,600,000 corresponds to every Dane buying approximately $60.00 worth of American products.

The United States with a population of over 200 million bought from Denmark in 1969 about $247,000,000 worth of products—and on a per capita basis this means that each American only bought $1.25 worth of Danish products.

And when it comes to trade by Denmark with the United States, it is not a matter of unfair competition and price cutting. In the case of hams, the bulk of Danish cheese, textiles, etc., it is a matter of high quality Danish products that fetch higher prices from U.S. consumers than domestically produced products.

In the case of raw mink skins, it is a case of supplying quantities and colors primarily used for the trimming trade as distinguished from the fur garment trade. Danish mink skins are bought at public auctions in Denmark and other European cities, in open world market competition, by American firms to supplement the requirements of the American fur trade.

In the case of most other commodities it is simply fair and square competition in quality products produced efficiently by Danish agriculture and industry. A further trade handicap as proposed by these bills is bound to severely damage a happy commercial relationship to the advantage of no one.

The adovcates of import restrictions in the U.S. should realize that the imposition of such restrictions on a string of important commodity groups, while providing temporary safeguards for this or that narrow branch of industry, would constitute a breach with the fundamental principle of free international trade to which every administration has been committed during the postwar years. These advocates should ask themselves whether in the long run the U.S.A. will be well served by a reversal of the laboriously adopted principle of free trade. If this is what U.S. trade and industry want and get, the relapse to a restrictive import policy will leave its mark on the United States and all of its trading friends in the free world. And in such case, U.S.A.'s exports in the near future will undoubtedly be faced with obstructions and quota arrangements in other countries which will neither be in the interest of American exporters nor of international trade collaboration.

Our great country would make a fatal mistake if it scuttles the very recent Kennedy Round agreements which Denmark, among other countries, worked so hard to help make a success.

While economic conditions are continuously improving in countries outside the United States (including Denmark) new vistas for U.S. exports are opening all the time.

In the case of Denmark, we would like to mention just one example, namely, the large and steadily increasing U.S. exports of man-made fibers. Based on market research by Dupont, the greatest increase in carpet consumption over the last few years will take place in Scandinavia with per capita consumption by 1978 having increased to almost twice the 1968 level and an increasing share of carpets manufactured in Denmark will be woven from man-made fibers as well as on tufting looms imported from the United States.

We urge that your Committee reject the concept of quotas and remain faithful to the principle of free trade as represented by the Kennedy Round, which this Committee some years ago authorized. By so doing, you as legislators can do much to maintain the happy trade relations which now exist between Denmark and the United States and help to further improve them in the future.

The balance of payments between the two countries—now in favor of the U.S.—is a mutual problem but any disturbance of U.S.-Danish trade relations would have a serious effect on Denmark and could well necessitate a change in Denmark's free trade philosophy.

Mr. Chairman, these are some of the reasons why the Danish American Trade Council must oppose all pending bills which would place restrictions on importation of products from Denmark, and why we in general support the

President's trade bill proposals broadening the possibilities for escape clause relief in the event that severe injury is proven in a Tariff Commission case; and broadening the availability of adjustment assistance to U.S. companies and workers on whom imports have had an undue impact.

1969 TRADE BETWEEN THE UNITED STATES AND DENMARK

*Denmark's export to the United States*

| | |
|---|---|
| Total exports for 1969 | $247,100,000 |
| Meat and meat products | 82,639,000 |
| Dairy products and eggs | 11,019,000 |
| Fish etc. for consumption | 6,212,000 |
| Beverages | 5,106,000 |
| Hides and skins | 11,995,000 |
| Tobacco | 752,000 |
| Animal & Vegetable raw materials | 5,463,000 |
| Chemicals and combinations | 16,559,000 |
| Pharmaceuticals | 2,837,000 |
| Wood products (except furniture) | 2,093,000 |
| Textiles (except clothing) | $4,674,000 |
| Clothing | 3,496,000 |
| Stoneware, glass, china, etc. | 3,768,000 |
| Metal products | 5,768,000 |
| Machinery (except electrical) | 16,256,000 |
| Electrical machinery | 33,489,000 |
| Transport equipment | 2,808,000 |
| Furniture | 12,962,000 |
| Other products for consumption | 8,948,000 |
| Products in other categories | 10,830,000 |

*Denmark's import from the United States*

| | |
|---|---|
| Total imports for 1969 | $292,651,000 |
| Grain | 8,627,000 |
| Fruit and vegetables | 7,530,000 |
| Feeding products | 7,010,000 |
| Tobacco | 19,706,000 |
| Oil seed etc | 36,848,000 |
| Fuel (fluid) etc | 1,420,000 |
| Raw chemicals and combinations | 12,912,000 |
| Pharmaceuticals | 4,334,000 |
| Plastics (unworked) | 8,988,000 |
| Paper and cardboard | 4,772,000 |
| Textiles (except clothing) | 4,053,000 |
| Clothing | $2,721,000 |
| Textile fibers | 1,450,000 |
| Machinery (except electrical | 54,842,000 |
| Electrical machinery etc | 17,901,000 |
| Transport equipment | 35,292,000 |
| Instruments, watches | 9,060,000 |
| Chemical material and products | 2,804,000 |
| Metal goods n.e.s | 3,220,000 |
| Other consumption products | 10,063,000 |
| Other goods | 39,098,000 |

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DEPARTMENT OF STATE,
*Washington, D.C., June 17, 1970.*

Hon. WILBUR D. MILLS,
*Chairman, Ways and Means Committee, House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: At the request of the Embassy of Italy, there is transmitted herewith a memorandum from the Embassy dated June 12 relating to Italian commercial policy.

Also enclosed is a copy of a letter from the Italian Embassy of June 12 requests that this memorandum be forwarded to the Committee for inclusion in the record of its current hearings.

Sincerely yours,

DAVID M. ABSHIRE,
*Assistant Secretary for Congressional Relations.*

ITALIAN EMBASSY,
*Washington, D.C., June 12, 1970.*

Mr. ROBERT M. BEAUDRY,
*Country Director—EUR/AIS, Department of State, Washington, D.C.*

DEAR MR. BEAUDRY: During the Hearings before the Committee on Ways and Means of the House of Representatives on Bill HR 16920—introduced by Chairman Mills in order to restrict imports into the United States of textiles and shoes—and on Bill HR 14870 "The Trade Expansion Act of 1970", Con-

gressman James A. Burke asked that "an Inventory of the Industrial Non-Tariff Barriers in Italy" be made a part of the record. (See page 1658.)

After careful consideration of this document I feel that the remarks by Mr. Burke trascend the matter of textiles and shoes, and involve a criticism of the overall Italian trade policy, which is presented as protectionist.

On the contrary, the Italian commercial policy in these past twenty years has been inspired to the principles of free trade, and cooperation among the peaceloving countries; as a matter of fact the increase in both imports and exports of my country has been spectacular, and has definitely contributed to the welfare of the Italian people and to the establishment of friendly international relations.

For these reasons, I thought it proper to prepare a memorandum, herewith attached, related to the points emphasized by Representative Burke, and I would appreciate if you would kindly ask the Committee to make it part of the record of the Hearings alongside with Mr. Burke's remarks.

Very truly yours,

ALBERTO ROSSI,
*Commercial Minister.*

MEMORANDUM

Referring to the documents introduced by Representative Burke on Italy's Trade Policy, the following observations are submitted:

(a) from the document itself it appears that, in order to depict Italy as a protectionist country, it has been necessary to concentrate on a very few products which, except for automobiles, represent only a minimal importance out of a reciprocal trade of 2.5 billion dollars:

(b) to represent "IGE" (imposta generale sull'entrata) as a tax on imports, conveys a distorted idea of the Italian fiscal system with which the U.S. Treasury Department is very conversant; "IGE" is applied to the import business as well as to any commercial transaction in Italy related to goods manufactured there;

(c) the heavy taxes on automobiles with large cylinders create some difficulties in selling American cars in Italy. However, this criterion was not established as a protectionistic measure, but in application of a fiscal tenet to tax more heavily the luxury cars and to favor the "utilitarian" (compact and undercompact) Italian, as well as foreign, cars;

(d) the statistical fee (10 lire=U.S. $0.016) has such a small impact that it cannot be considered an obstacle to imports. Moreover the Italian Senate has already approved a Bill which will abolish this fee beginning in January 1971. This Bill is now in the Chamber of Deputies for further processing;

(e) cigarettes, salt, matches, etc., have been sold under the Italian Government Monopoly since the foundation of the Italian State. The Tobacco Monopoly will be abolished in 1975, when the regulations of the European Economic Community on raw tobacco will take effect. All the other small monopolies are now under study, and they too will be eliminated.

Salt, matches, flint and a few other products subject to the Italian State Monopoly are commodities which may be considered irrelevant to the trade between Italy and the U.S. The existence of an Italian Monopoly on tobacco does not represent an obstacle to the sale of American cigarettes, which are purchased by the Administration of the Italian State Monopoly itself;

(f) the preferences which are given to the Southern industries must be considered as an integral part of the Italian internal policy: these preferential treatments, dictated by well known reasons, are accepted by the North-Italy industries and have nothing to do with international protectionism.

Moreover, many foreign (mainly American) industries have been able to take advantage of those facilities, making investments—which Italy welcomes—in the South of Italy;

(g) the remarks on the preferences which the Italian Department of Defense gives to the Italian manufacturers brings to mind "The Buy American Act", which embodies strict regulations to forbid the intervention of foreign suppliers in Defense bids, unless the price is substantially lower. Moreover, it must be remembered that the purchases of the Italian Department of Defense in the United States exceed by ten to twenty times those made by the Pentagon in Italy;

(h) the statement that the Departments of the Italian Government do not deal with foreign firms is obviously based on inaccurate information, which the Italian Embassy is in a position to disavow;

(i) in the motion picture films, the measures established in favor of the Italian production do not prevent the Italian market from absorbing regularly American movies.

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STATEMENT OF THE UNITED PRESBYTERIAN CHURCH IN THE UNITED STATES OF AMERICA, WILLIAM P. THOMPSON, STATED CLERK

We are gravely concerned over the tide of import-restriction bills that are flooding the Congress. If adopted, they would reverse the liberal trade policy followed by the United States for the past 36 years with admittedly beneficial results worldwide.

We believe that the current and evolving problems of American agriculture and industry are the legitimate concern of government and may necessitate some temporary and marginal measures of constructive assistance. However, we do not think that proposals providing for the restriction of imports is a constructive solution. Present difficulties are only partly due to import competition and we think a persuasive case can be made, in the overall national interest, for policies which will genuinely and consistently promote freer trade.

We think the consumer's stake in a liberal trade policy needs to be especially emphasized. An attempt to make an exception or special case of certain industries only serves to produce an escalation of counterproductive reciprocal tariff increases, inevitably resulting in higher costs to American consumers.

Over a period of years, the General Assembly of the United Presbyterian Church has repeatedly expressed its support for enlightened and liberal international trade policies. Recent official actions of our General Assembly follow:

The 168th General Assembly:

"Urges our congress to approve participation in OTC as a means of administering general trade agreements and for honoring the procedures which we have already agreed to in the General Agreement on Tariffs and Trade in order to promote and expand trade throughout the free world".

The 174th General Assembly called upon United Presbyterians to support foreign policies which:

"1. Reflect genuine concern for the welfare, security, freedom, and democracy of other peoples and nations as well as our own;

"2. Use our economic power responsibly by sharing our resources and technology with other nations in the context of negotiation, not dictation, and by taking appropriate measures such as tariff agreements with other nations to expand world trade."

The 176th General Assembly urged all Presbyterians to:

"(a) Call upon our Government to encourage and support international economic policies and programs designed to stimulate world trade for the benefit of the less-developed areas; . . . recognizing that both in altruism and national interest we must commit ourselves to a long-range program of trade and development."

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STATEMENT OF NATIONAL COUNCIL OF JEWISH WOMEN, MRS. LEONARD H. WEINER, NATIONAL PRESIDENT

The National Council of Jewish Women, an organization established in 1893, with a membership of over 100,000 in all parts of the United States, has emphasized in its program, study of United States foreign policy, including international trade, since its inception. We have testified in support of freer trade at Congressional hearings whenever trade legislation was under consideration.

The Trade Act of 1969, is under consideration at a time when many problems in the trade field are developing due to international monetary policies, technological developments, foreign investments and other arrangements which pose a challenge to the U.S. in its effort to continue an effective international trade policy.

It is our conviction that the United States, the wealthiest, most powerful and largest trading country in the world can support a policy which is based on the interests of all the people and not on the special interests, of problems of certain groups in our society. President Nixon confirmed this view in his message to the Congress when he stated:

"For the past 35 years, the United States has steadfastly pursued a policy of freer world trade. As a nation, we have recognized that competition cannot stop

at the ocean's edge. We have determined that American trade policies must advance the national interest—which means they must respond to the whole of our interests and not be a device to favor the narrow interest."

The adoption of import quotas on a number of commodities in daily use, for which there is a tremendous drive now, will not be in the national interest. In this highly inter-dependent world our actions will not remain isolated. Other trading countries will undoubtedly retaliate by adopting trade barriers against the United States and this could have serious repercussions and greatly affect our economy. In a period when unemployment is rising and inflation is rampant, actions which will aggravate the situation should be avoided. The freest access to goods whatever the source of supply is an important tool to combat inflation.

For the United States now to adopt a restrictive trade policy would be highly undesirable and would seriously impair our efforts to strengthen our ties with other nations and promote a closer relationship with the developing countries. If we are sincerely interested in supporting economic development in these countries, we must make it possible for them to have access to foreign markets. Our Economic Assistance Program to the developing countries will not have much meaning if they are not able to sell whatever they produce. Furthermore, as economic development proceeds and the standard of living in these nations is raised, consumption of goods and buying capacity will increase. This may well help to increase our export market.

As an organization of consumers we have an important stake in a freer trade policy. As consumers we are entitled to the widest possible choice of goods and to the lowest possible prices. This cannot be achieved without competition among producers. Free competition in the market place is a well established principle in our economy and is protected by a body of anti-trust laws. A restrictive trade policy is not conducive to the fostering of competition. Many families in the United States, particularly those of low income will be seriously affected by the adoption of import quotas particularly on such commodities as shoes, clothes, meats and others. Higher prices on these necessities will be a serious hardship for those whose meager incomes have already been eroded by inflationary pressures. It is apparent that any actions taken by Congress to stifle competition will not be in the best interest of the consumer.

President Nixon, in his message to Congress emphasized that:

"We have always welcomed such competition. It promotes the economic development of the entire world to the mutual benefit of all, including our own consumers."

As early as 1932 Congress recognized the consumer interest in international trade. In a bill (H.R. 6662, House Report 29, Jan. 7, 1932) passed by Congress, but vetoed by President Hoover, Congress provided for a consumer counsel to protect the interest of the consumers before the Tariff Commission. We strongly urge that some means be provided, in the pending legislation, to voice and protect the consumer interest.

We are not unmindful of the injuries sometimes sustained by workers and individual firms due to international competition, and we support the liberalized trade adjustment provisions of the Trade Act of 1969. This method of alleviating injury to individual firms and groups of workers serves as an effective alternative to the meat axe approach of import quotas. We urge the adoption of this provision so that we will not revert to the era of protectionism which helped to bring on a depression.

For over two years the President has been without authority to negotiate tariff reductions or carry on any negotiations which a changing trade situation may require. This lack of authority is also a hindrance to the achievement of our goals for the elimination of other trade barriers and to a flow of freer trade. We hope the Committee will grant the President this authority.

We believe the United States should assume world leadership in promoting international trade. It has the resources, the ingenuity, the productivity record to help improve the economic well being of all nations through an enlightened international trade policy.

We urge the Congress to give the President the authority to do so by adopting the Trade Act of 1969. H.R. 14870.

STATEMENT OF MRS. JEAN ROSS, CHAIRMAN, LEGISLATIVE PROGRAM COMMITTEE, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

The American Association of University Women wishes to express its appreciation for the privilege of appearing before this committee in support of H.R. 14870, the "Trade Act of 1969." We are not here as experts in a specific area of national trade, nor as representatives of any special interest group, but as representatives of a broad cross section of opinion which supports continuation of this country's current policy of encouraging a non-discriminatory or multilateral system of trade.

As many of you who are members of this committee know, the AAUW, with a membership of approximately 175,000 university women graduates organized in some 1600 branches throughout the 50 states, Guam, and the District of Columbia, has supported a liberal trade policy since the original Reciprocal Trade legislation was proposed in 1934. At the last national convention in 1969, AAUW members from all parts of the country again strongly endorsed the traditional Association position supporting more liberal trade policies.

It is the belief of the Association that through the years the Reciprocal Trade program has served the economic interests of the American people and has strengthened our position in the world: 1) by promoting the expansion of world trade and economic development, thus serving as a stimulus not only to industries, agriculture, and labor in the United States but in the developing countries of the world, countries which it is in our national interest to strengthen and assist to become full partners in the world market; 2) by providing the machinery through which this nation and other nations can work toward their mutual advantage through the exchange of goods, a benefit of particular advantage to the consumer, but profiting the wage earner and producer as well.

In appearing before you today, we are not unaware nor unsympathetic to the difficulties faced by many industries in competing in an open international market, especially at a time when domestic costs are rising. We feel, however, that these are temporary difficulties arising primarily from our own domestic economic problems, and we therefore oppose the growing sentiment for enactment of quota bills which could considerably negate the progress we have made in reducing economic barriers, and might also serve not as an aid in fighting inflation, but rather might add to it.

The over-all objective of a liberal trade policy is to help industries adjust to competition, not shelter them from it indefinitely. The Trade Act of 1969 offers a liberalization of the escape clause for those industries which suffer from hardship of import competition to provide them with relief whenever increased imports are the primary cause of actual or potential serious injury. It does this without making this relief a permanent crutch for the industries, but as a temporary aid to allow them to adjust their competitive positions.

As citizens and as consumers, we in AAUW are deeply concerned by domestic inflation. As stated earlier, we feel that the imposition of quotas at this time would very probably worsen the problem, not alleviate it. According to the National Retail Merchants Association, quotas on textiles alone (imports of which make up only 8.5% of the domestic market) would cause a 15 to 25% rise in clothing prices. Because of possible retaliation by other countries if quotas were enacted, we might well expect diminished exports, unemployment, and loss of all profits, all of which would seriously damage our already troubled economy.

We in AAUW feel strongly that the goal of the foreign economic policy of the United States must be to protect and advance the national interest and to improve the security and well being of the United States and all of its people. Quotas which might help the position of a few industries for a short time, but at the same time could add to domestic inflation, increase international hostilities, and seriously affect our position and capabilities as a leader in building a free and open world marketplace are not, we feel, in the national interest. AAUW is convinced that it is in the interest of this nation to narrow, not widen, the gap between the developed and developing nations—to make the developing nations our friends, not our enemies. Less developed countries need improved access to markets of the industrialized countries if they are to proceed with their economic development. Growth of exports provides the foreign exchange that is essential for meeting the import needs of a higher rate of investment and growth. International trade can perform a similar function to aid, and at the same time benefit not only the developing nations, but the consumers of the United States as well.

Women are responsible for a high percentage of the buying in this country. We, as women, are extremely aware that in the end it is the consumer who foots the bill.

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## International Trade, Inflation and U.S. Foreign Economic Policy

(*By Robert Warren Stevens, Associate Professor of International Business, Graduate School of Business Administration, Indiana University, Bloomington, Ind.*)

I have recently completed an examination of the relationship between our current international trade position and the state of our domestic economy. This relationship has great significance at the present time considering the difficulties afflicting our trade balance and in view of the many pressures that have arisen in favor of restricting imports. The results of my investigation can be summarized in the following ten points.

1. *The current pressures for restricting imports have arisen mainly because of the phenomenal increase that has occurred in our imports.*—There has been no less than a 90% increase in our merchandise imports in the five years since 1964. American businessmen understandably perceive this surprisingly large increase in imports as an "import invasion" threatening their domestic markets. Grim figures to document this severe competition from imports can now be put together in industry after industry and it is hardly surprising that those most affected have turned to the U.S. government for redress.

2. *Our merchandise exports have increased only half as much as our imports since 1964—a 44% increase for exports compared to more than 90% for imports.*—Increases in American exports that we would ordinarily expect to match the sharp increase in our imports have not taken place in the five years since 1964. Consequently, our merchandise trade balance has fallen from $6.7 billion in 1964 to less than $1 billion in both 1968 and 1969. In short, we have suffered a substantial loss in our position as a net exporter in the past five years.

3. *The cause of this sorry foreign trade record of the past five years lies not in the foreign trade sector of our economy at all, but in a lack of balance in our domestic economy.*—The sharp deterioration of our foreign trade balance is exactly what we should expect to result from the inflationary condition of the American economy in the years 1965–69. History, in fact, has repeated itself. Our last bout with inflation was in 1956—58, which also caused our foreign trade balance to dwindle to almost nothing. (From $4.8 billion in 1956 to $1.2 billion in 1959). Then, from 1959 to 1964 when there was no inflation and while American wholesale prices remained unchanged, we re-built the foreign balance to $6.7 billion. The near-disappearance of our trade balance since 1964 reflects the fact that our wholesale price index took off and shot up by no less than 13% between 1964 and 1969.

4. *Because of inflation, our economy is holding on to goods that might have been exported while also sucking in more than our usual share of world imports.*—Our inflationary price rises and the associated production bottlenecks in this country have made it difficult for our exporters to maintain their accustomed shares of foreign markets while we are pulling in more and more imports due to our rapidly rising money incomes. Like the two blades of a scissors, these adverse developments have cut our trade surplus almost to the vanishing point.

5. *The real causes of our difficulty are war and, especially, the war-associated inflation in the U.S., not "unfair competition" from abroad.*—To fight the war in Viet Nam the U.S. Government increased its annual military expenditures 58% in the five years 1964–69, from $50 billion to $79 billion. Besides diverting many of our most productive resources away from civilian production, this increase in military spending was highly inflationary because it was injected into a full-employment economy. In 1965, after the longest period of peacetime economic expansion on record, we had reached the full-employment goal that had been set by government economists, 96% of the labor force.

6. *Our present inflation is the delayed result of inappropriate fiscal and monetary policies followed by the U.S. Government in 1965–69.*—In both World War II and the Korean War the American people showed themselves willing to put up with high taxes, wage and price controls—and even with rationing during World War II—so the Government could obtain the resources it needed for war. In fighting the Viet Nam war the previous administration did not ask for such sacrifices, and finally asked for only a modest tax increase—but much

too late. Therefore we do not know how much the American people were prepared to sacrifice for the war in Viet Nam. The administration, for the most part, simply seized the resources it needed for war by forcing an inflation at home and a deterioration of our balance of payments abroad.

7. *If successful, the policies of the present administration—putting an end to the war in Viet Nam and to inflation at home—will correct the causes of our weakened trade balance.*—Its policies in these fields are taking time to work, however. In the meantime it is seeking to preserve—and even to enhance—our liberal international trade posture. In this respect it stands in a great American tradition of which some of the principal landmarks have been our Reciprocal Trade Agreements Act, our sponsorship of GATT and our 1962 Trade Expansion Act. These measures have worked well for us in periods when our domestic economy has not been weakened by inflation.

8. *But today the imports surging into our inflation-ridden country provide an opportunity to protectionists who would substitute import quotas for our long-established policies of trade expansion.*—Protectionists perceive imports as a form of "unfair competition" and today they think they seen an opportunity to capitalize on the public's mood of impatience with foreign affairs generally, a mood brought on by our mis-adventure in Viet Nam. They propose to restrict imports, which would be to fight only one of the *symptoms* of our ailment.

9. *To restrict imports would be to take the wrong medicine, and worse, it would lead us back toward the economic nationalism of the troubled 1930's.*—Other countries would follow our example, imposing retaliatory restrictions on our exports, and the hard-won gains of more than a generation of American leadership in the cause of expanding world trade could easily be lost. We must not let our long-established policy of promoting freer trade become yet another casualty of the undeclared Viet Nam war which is at the root of our foreign trade difficulties because it was the original cause of our present inflation.

10. *The protectionists would have us turn our foreign economic policy on and off every time the weather changes.*—No country can afford to run its foreign policy that way—least of all the United States which is the giant of the world economy. The Trade Expansion Act provides for adjustment assistance to American workers, businessmen and local communities who are injured by competition from imports. The present administration has made a promising start toward making greater use of adjustment assistance. It should be brought into greater play now and used liberally until we can put an end to the Viet Nam war and the American inflation, thus opening the way for a strengthening of our trade balance.

Mr. BURKE. For the benefit of those here, there will be no hearings on the subject of foreign trade or tariffs during the week of May 25. This hearing on trade and tariffs will resume on Monday, June 1, 1970.

This concludes our hearings for today. The committee adjourns to meet on Monday, May 25, at 10 a.m., when the committee commences public hearings on the public debt.

(Whereupon, at 1 p.m., the committee was adjourned.)

# TARIFF AND TRADE PROPOSALS

MONDAY, JUNE 1, 1970

House of Representatives,
Committee on Ways and Means,
*Washington, D.C.*

The committee met at 10 a.m., pursuant to notice in the committee room, Longworth House Office Building, Hon. John C. Watts presiding.

Mr. Watts. The committee will come to order.

We are pleased to have the Honorable Tom Bevill of Alabama present his statement to us today. We are glad to have you with us; please come forward.

## STATEMENT OF HON. TOM BEVILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. Bevill. Mr. Chairman, distinguished members of the Ways and Means Committee, I want to thank you for giving me the opportunity of appearing before you today in support of my bill, H.R. 132, which would provide for orderly trade in iron ore, iron and steel mill products.

In 1968, steel imports amounted to 18 million tons, more than one-fifth of the approximately 92 million tons of domestic shipments. This means that 1 out of every 6 tons of steel purchased in the United States during 1968 was foreign-made.

Early in 1968, as the rising trend of steel imports became increasingly evident, U.S. steel producers expressed their alarm by asking for congressional curbs on importation. At that time, various methods of curtailing imports were proposed. The request for voluntary restrictions by major exporters in Japan and Western Europe resulted in a voluntary import quota agreement concluded during the last part of 1968. This agreement provided that total steel imports by the United States should not exceed 14 million tons in 1969. Additionally, import growth was restricted to 5 percent for 1970 and 5 percent for 1971.

Imports dropped during 1969 to the amounts called for in this agreement.

Indications are that American steel producers are willing to live with this voluntary restriction. It cannot be ignored, however, that there is no enforcement authority or any penalties attached to a breakdown in the voluntary agreement.

I believe congressional action is needed to prevent a recurrence of the steel import problem and to protect the future of our steel industry. The bill I have introduced would impose a quota on imports

of pig iron, iron ore and steel mill products when ceiling levels are violated by a country. My bill would have no effect on the countries which live up to their agreements. Only if a country does not comply with the voluntary agreement would the law be invoked.

Mr. Chairman, the steel industry is basic to our national security. The well-being of this country depends on an adequate supply of steel. We must control excessive imports, which would have a severe effect on the entire Nation.

No one questions the importance of a healthy steel industry to maintain a healthy economy. As this Nation faces the very real danger of a recession, it is important now more than ever before to take steps which will insure that this country is not flooded by foreign steel imports.

Therefore, Mr. Chairman, I respectfully request that you give favorable consideration to this legislation, which I believe will guarantee that U.S. steel production would not be undermined by excessive imports from foreign countries.

Thank you.

(H.R. 132 follows:)

[H.R. 132, 91st Cong., first sess.]

A BILL To provide for orderly trade in iron ore, iron and steel mill products

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.* That this Act may be cited as the "Iron Ore, Iron and Steel Orderly Trade Act of 1967."

SEC. 2. The Congress finds that increased imports of iron ore, pig iron, and steel mill products have adversely affected the United States balance of payments, contributed substantially to reduced employment opportunities for United States workers in the domestic iron and steel industry, and captured such an increasing share of the market for iron ore, pig iron, and steel mill products in the United States as to threaten the soundness of the domestic iron and steel industry and, therefore, the national security.

It is, therefore, declared to be the policy of the Congress that access to the United States market for foreign-produced iron ore, pig iron, and steel mill products should be on an equitable basis to insure orderly trade in iron ore, pig iron, and steel mill products, alleviate United States balance of payments problems, provide an opportunity for a strong and expanding United States iron and steel industry, and prevent further disruption of the United States markets and unemployment of United States iron and steel workers and miners.

SEC. 3. As used in this Act—

(1) The term "category" means iron ore and iron ore products and a seven digit item number which appears in the Tariff Schedules of the United States Annotated (1965) published by the United States Tariff Commission as in effect on the date of enactment of this Act and which is—

(A) Within the range beginning with item 608.1500 and ending with item 610.5260 (except that an item within such range which is specified in Section 7 shall be included in the term "category" only as provided in such Section 7); or

(B) One of the following item numbers:

| | | |
|---|---|---|
| 607. 1500 | 642. 9100 | 646. 2620 |
| 607. 1800 | 642. 9600 | 646. 2640 |
| 642. 0200 | 642. 9700 | 690. 2500 |
| 642. 3500 | 646. 2500 | 690. 3000 |
| 642. 9000 | | |

(2) The term "imports" refers to United States imports in any category or categories within the meaning of paragraph (1).

(3) The term "consumption" means, with respect to any category or with respect to all categories, the sum of United States mine or mill shipments plus imports minus United States exports.

(4) The term "year" means calendar year.

SEC. 4. The President may, after consultation with all nations having an in-

terest in supplying iron ore, pig iron, and steel mill products to the United States, negotiate multilateral or bilateral agreements establishing, for periods beginning on or after the date of the enactment of this Act, annual quantitative limitations or United States imports of such products subject to the following provisions:

(1) Total imports for each year shall not exceed an amount determined by applying to the average annual consumption during the three years immediately preceding the year in which the limitation is to be effective a percentage equal to the percentage of average annual consumption represented by imports during the years 1964 through 1966, inclusive.

(2) The percentage of total imports in any year represented by imports in a particular category shall not exceed the percentage of total imports during the years 1964 through 1966, inclusive, represented by imports in that category.

(3) The percentage of total imports in any year represented by imports from a particular nation shall not exceed the percentage of total imports during the years 1964 through 1966, inclusive, represented by imports from that nation.

SEC. 5. For periods after the 180th day after the date of the enactment of this Act, the President shall, within the overall limits set forth in paragraph (2) of Section 4, by proclamation restrict annual imports from each nation which is at any time on or after such 180th day not a party to an agreement then limiting current imports negotiated pursuant to Section 4 to an amount determined by applying the percentage of consumption represented by imports from that nation during the years 1959 through 1966, inclusive, to the average annual consumption during the three years immediately preceding the year in which the restriction is to apply.

SEC. 6. Within the overall limitations imposed under Section 4, the President may adjust the share of United States imports in any category which may be supplied by any nation. In making this adjustment the President shall be guided principally by historical import patterns, but may modify such patterns to accommodate interests of developing nations or other changing conditions of international trade.

SEC. 7. If imports in any year in any of the following item numbers appearing in the Tariff Schedules of the United States Annotated (1965) published by the United States Tariff Commission as in effect on the date of the enactment of this Act reach 120 percent of imports in that item number during the year immediately prior to the year in which this Act is enacted, then such item number shall be considered a category under paragraph (1) of Section 3, and this Act shall take effect with respect to such category on the first day of January following the year in which the 120-percent level was reached:

| | | | |
|---|---|---|---|
| 608.1000 | 610.8020 | 642.9300 | 652.9400 |
| 608.2500 | 610.8040 | 646.2000 | 652.9500 |
| 608.2700 | 642.0800 | 646.2700 | 652.9600 |
| 609.1200 | 642.1020 | 646.2800 | 653.0200 |
| 609.1300 | 642.1040 | 646.3000 | 653.0300 |
| 609.1500 | 642.1200 | 646.4000 | 680.4000 |
| 609.8400 | 642.1400 | 646.5400 | 688.3000 |
| 609.8600 | 642.1620 | 646.5600 | 688.3500 |
| 609.8800 | 642.1800 | 652.9000 | 688.4000 |
| 609.9000 | 642.8000 | 652.9200 | |

SEC. 8. (1) The amount of imports in any category in either half of any year shall not exceed 60 percent of the total permissible amount of imports in that category for that year.

(2) Should any limitation imposed under this Act take effect on any day other than January 1 of a year, such limitation shall apply pro rata during the remaining portion of such year.

SEC. 9. (1) Import limitations established under this Act shall be administered by the Secretary of Commerce. The Secretary may issue such regulations as may be necessary or appropriate to carry out the purposes of this Act.

(2) Whenever the Secretary of Commerce determines it to be necessary to avoid disruption of regional markets, he shall provide by regulation that the proportionate share of total imports and imports in any category from any nation entering through any port of entry in or near such regional markets shall not exceed the proportionate share of such imports entering through such port

during the applicable base period. The Secretary shall conduct the review required to make such a determination at laest annually.

SEC. 10. Any limitation provided for by this Act which, but for this section, would limit the importation of products fo Canada shall not apply with respect to the importation of such products.

SEC. 11. This Act shall expire at the close of December 31, 1972.

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AMENDMENT TO H.R. 132, OFFERED BY MR. BEVILL

Strike out all after the enacting clause and insert in lieu thereof the following: That as used in this Act:

(1) The term "Community" means the European Coal and Steel Community.

(2) The term "consumption" means, with respect to steel products, the sum of United States mill shipments, plus imports minus United States exports.

(3) The term "steel mill products" means articles provided for in any of items 608.15 through 608.18, 608.40 through 609.08, 609.17 through 609.80, 609.96 through 610.52, 642.02, 642.35, 642.90, 642.91, 646.25, 646.26, 690.25, and 690.30 of the Tariff Schedules of the United States (19 U.S.C. 1202).

(4) The term "Secretary" means the Secretary of Commerce.

(5) The term "year" means calendar year.

SEC. 2. (a) The Secretary shall undertake a continuous review to determine whether there occurs a violation of the shipments of intention given to the United States in December, 1968, by the representatives of the Japanese steel industry and the representatives of the steel producers of the Community; namely, that the net tonnage of steel mill products provided to the United States by Japan and by the Community, respectively, will not exceed 5,750,000 net tons during calendar year 1969, 6,037,500 net tons during calendar year 1970, and 6,339,-335 net tons during calendar year 1971. Upon determining that such a violation has occurred (which determination shall be final), the Secretary shall advise the President of such determination. The President immediately shall, by proclamation, restrict the annual importation into the United States of steel mill products of Japan or the Community, as the case may be, to an amount determined by applying the percentage of consumption of steel mill products represented by steel mill products of Japan or the Community, as the case may be, during the years 1959 through 1966, inclusive, to the average annual consumption of steel mill products during the three years immediately preceding the year in which the restriction is first proclaimed. A restriction imposed under this subsection shall apply with respect to the year in which it is first proclaimed and any year thereafter whch begins before January 1, 1973.

(b) If a restriction is first proclaimed under subsection (a) on any day other than January 1 of a year, all steel mill products of Japan or the European Coal and Steel Community, as the case may be, imported into the United States during such year before the day on which the restriction is proclaimed shall be counted against the amount permitted to be imported during such year under the proclamation. If the amount imported before such day exceeds the amount permitted to be imported under the proclamation, the difference between such amounts shall be applied against the amount permitted to be imported into the United States under the proclamation during the following year.

SEC. 3. Import restrictions established under this Act shall be administered by the Secretary. The Secretary may issue such regulations as may be necessary or appropriate to carry out the purposes of this Act.

SEC. 4. This Act shall expire at the close of December 31, 1972.

Mr. WATTS. Are there questions of Congressman Bevill? If not, thank you for coming today.

Our next witness is Mr. I. W. Abel, president, Industrial Union Department, AFL–CIO.

Come forward, Mr. Abel. You are recognized for 20 minutes. I am advised Mr. Abel is not here.

The next witness will be Mr. George A. Stinson, chairman, American Iron and Steel Institute.

## STATEMENT OF GEORGE A. STINSON, CHAIRMAN, AMERICAN IRON & STEEL INSTITUTE; ACCOMPANIED BY JOHN P. ROCHE, PRESIDENT

Mr. STINSON. Thank you, Mr. Chairman.

Mr. WATTS. You are recognized for 20 minutes. We don't like to limit the time, but we have such a long list of witnesses, we have to.

Mr. STINSON. I understand.

My name is George A. Stinson. I am president and chief executive officer of National Steel Corp. I am also chairman of the American Iron and Steel Institute, a nonprofit trade association of 65 member companies which account for about 95 percent of the raw steel produced in the United States.

I would like to introduce Mr. John P. Roche, the president of the American Iron and Steel Institute.

I wish to express my appreciation and that the sheet industry for the opportunity to present this statement on the proposed Trade Act of 1969 and other trade issues.

Although I am appearing here on behalf of the steel industry, I don't intend to dwell on the particulars of our own trade problems. This is not to say that these problems have disappeared, as many would have you believe. Rather, they have been partially submerged in a sudden and temporary flood tide of steel demand throughout the world. When this flood tide recedes, they will surface again as a serious and continuing threat to the health of our steel industry and its ability to support the national security.

But the specifics of our case have been documented before this committee and others on numerous occasions, and I am sure you are familiar with them. Furthermore, steel's problems are symptomatic—or even prophetic—of a more pervasive and deep-seated illness which is affecting one American industry after another, with the result that more and more of them are steadily losing position in the world markets.

Consequently, I want to address my remarks today to this broader problem, and to the need for change in the policies and objecttives, both domestic and foreign, which affect the international trade position of the United States.

The world economic and political environment in which international trade takes place has changed drastically since the inception of our current trade policy many years ago. President Nixon's trade message last November anticipated a continuing of this trend and calls for new responses and new initiatives to meet the significantly different trade problems that will clearly occur during the 1970's.

The steel industry concurs whole heartedly in these conclusions. However, the Trade Act of 1969 just begins to scratch the surface of the problem, and more far-reaching measures will be necessary to achieve balanced trade expansion between the United States and the rest of the world. The President, in his trade message, indicated a similar awareness. He described the bill as "a necessary beginning," but added, "As we look further into the seventies, it is clear that we must reexamine the entire range of our policies and objectives."

It is my intention, through this testimony, to expand upon this theme in the hope of encouraging Congress as well as the administra-

tion to examine thoroughly the assumptions on which our present trade policies are based, the conditions under which international trade is likely to take place during the coming decade, and the interrelationship between our domestic requirements and policies and those governing international trade.

TRADE DETERIORATION

The vital need for attuning our foreign trade and economic policies to the realities of the seventies is made appallingly clear when we see what has happened to our trade balance. Persistent deterioration of the position of the United States in international trade is evident in nearly every context in which such comparisons are made. In terms of total world trade, the U.S. share has been in a downtrend throughout the post-World War II period.

Some downward adjustment in our share of world exports was to be expected following the rebuilding of the war-ravaged economies of Europe and Japan. However, the slippage has persisted to the point where the merchandise trade balances which used to offset the cost of our foreign aid programs and overseas military operations have practically faded into oblivion. In 1964, our merchandise trade surplus peaked out at around $7 billion. By 1968, it had dwindled to only $800 million and rose slightly to $1.3 billion last year.

However, if only commercial exports are counted (that is, excluding Government-financed AID and Public Law 480 shipments) the surplus disappears completely, and we find that our commercial trade balance was in deficit by $1.4 billion in 1968 and an estimated $800 million in 1969.

The growing obsolescence and inadequacy of U.S. foreign trade policy is further evidenced by statistics which show a deteriorating trade surplus or an actual deficit in nearly every manufactured goods category. Between 1960 and 1968, the only major commodity group showing a significantly greater rise in exports than in imports is chemicals. Country-by-country comparisons also lend added support to the thesis that U.S. policies are clearly out of step with the realities of the 1970's.

These trade policies, rooted in the worldwide depression of the thirties and the aftermath of World War II, were formulated under vastly different economic and political conditions than exist today. The emergence of strong, managed economies and supranational trading blocs has significantly reduced the once overwhelming advantages held by the United States in the form of abundant natural resources, a highly educated work force, vast supplies of capital, superior technology, mass markets and a well-developed distribution system.

With the narrowing of these advantages, the failure of our trade policy to adapt to the changing conditions of trade is causing serious dislocations in the U.S. economy.

It is no longer valid to view such dislocations as a minor, transistory occurrences easily remedied by palliative measures on the part of government, such as those embodied in H.R. 14870, but rather, as permanent dislocations whose prevention requires a trade philosophy in tune with the new circumstances that exist today.

Another factor frequently overlooked by proponents of the classi-

cal theory of free trade, but which was pointed out by a group of economists from the academic world during testimony before this committee in 1962, is that free trade was never meant to operate in a vacuum, but only within the context of certain conditions which would guarantee that the flow of trade between countries results from natural rather than artificial economic influences.

Some of the more important prerequisites for mutually beneficial free trade are:

That there be full and complete convertibility of currencies, and a free market in exchange rates.

That there be no restrictions on the international movement of capital and labor.

That no country be given a special advantage over the others by virtue of its tax structure, use of subsidies, or laws governing domestic monopolies and cartels.

That there be no quantitative restrictions on trade.

That the countries involved follow roughly parallel fiscal and monetary policies.

That unit labor costs be increasing at approximately the same rate within the area of free trade.

Unless these conditions are present—and I am sure you would agree that few, if any, of them are today—free trade can only work to the detriment of those countries who are at a disadvantage with respect to the conditions listed, and whose industries therefore risk exploitation by their competitors abroad.

### INTERNAL FACTORS IN TRADE POLICY

Fundamental solutions to the deterioration of the U.S. trade position must go beyond what has long been considered as the traditional approach. There has been a tendency in the past to treat domestic economic policies and international trade policies as two quite separate matters, and our declining competitive strength in world markets reflects this shortsighted viewpoint. In the overall national interest, they must be considered together.

Our country's citizens will not be well served by international trade policies which increase the difficulty of dealing effectively with such major issues as environmental pollution, poverty and urban decay. Our well-being will not be enhanced by trade policies which may weaken the economic and social base on which our security depends. The costs associated with solving our domestic social and environmental problems cannot be met in the face of competition from producers abroad who do not have to bear similar costs, or whose export prices do not have to reflect them. In short, we must harmonize our domestic and foreign economic policies if we are to advance the well-being of our citizens during the coming decade.

Foremost in need of examination and reevaluation among domestic policies that impinge on our international trade posture are those which result in inflation. Restoration of fiscal stability through a reordering of national priorities so as to achieve better balance between Federal Government spending and income is of utmost importance.

Tax policy that unduly penalizes investment also inhibits productivity gains which are needed to restrain inflation and to help restore

the competitive ability of U.S. producers in world markets. Depreciation policies in the United States need to be reexamined in the light of practices and policies followed by other major industrialized countries.

Consideration needs to be given to the appropriate balance between fiscal and monetary policy in restraining inflation. Excessive reliance on monetary policy at the moment appears to be masking underlying weakness in the balance of payments. Resulting high interest rates have attracted capital inflows recently which may just as easily become outflows when domestic economic conditions require a less stringent credit posture by the Federal Reserve System.

In contrast with the highly coordinated trade policies of countries that manage their economies to a greater or lesser degree, U.S. trade policy is fragmented and diffused throughout many Government agencies. The objectives of U.S. policy are ill-defined, vague, and many actually be contradictory, in stark contrast with those of countries like Japan. Therefore, it would seem that action needs to be taken to bring about a more centralized, cohesive and lucid U.S. trade policy and administration thereof.

## EXTERNAL FACTORS IN TRADE POLICY

Putting our domestic house in order is a necessary first step in strengthening our competitive ability in world markets, but by itself, it cannot solve the problem of an eroding trade surplus and its consequences for companies, communities and workers. Foreign competitors must be made to realize that in today's changed economic environment, further expansion of world trade rests heavily on the establishment of conditions which promote fair trade.

It is an unarguable fact that international trade and competition can bestow benefits too great to be foregone, much the same as our own domestic trade and competition have done, and their expansion should be encouraged. But domestic trade is conducted within a framework of laws and regulations that are constantly reviewed and revised when necessary to insure fair trade. Unfortunately, the same is not fully true in the case of international trade.

As tariffs have been reduced to expand trade, nontariff barriers in foreign countries have assumed even greater importance. Such barriers take a variety of forms, but their purpose and effects have one feature in common—to effectively insulate the domestic markets of their originators. Trade flow is then artificially diverted to countries having relatively open markets, of which the United States is the foremost example.

In Japan, for instance, import controls, as well as export stimulants, are effectively implemented through both open and hidden rules. Secretary Stans has identified Japan as the most restrictive major industrial country in the free world, in both trade and investment. The AFL-CIO confirms this, stating that Japan maintains import quota controls on more commodities than any other country. They go on to say, however, that the "administrative guidance" of the Japanese Government is the most important barrier to imports and spur to exports.

In the European Economic Community, border taxes are one of the main roadblocks to imports. These add substantially to the cost of

entry for foreign goods. On the other hand, such taxes are rebated on exports, thus constituting a significant stimulus to the sale of common market goods to other countries. The rebate of these taxes is especially injurious with respect to our efforts to compete in non-EEC countries.

Harmonization of the system of value added taxes within the EEC at a higher level than exists today will magnify the adverse impact on the United States. The Common Market countries will then be able to make larger tax rebates, increasing the subsidy effect on exports while further burdening imports into those nations.

There are many other devices used abroad to block imports or to give exports an artificial competitive edge in world markets. These have been catalogued many times before, and I am not going to subject you to another recitation. Suffice it to say that they directly contravene the concept of "fair" trade which has to be a prerequisite for "free" trade.

Progress in eliminating these inequities has not been just painfully slow, it is practically nonexistent. In this connection there appears to be a "credibility" gap between the United States and other major trading nations as to the serious one-sided effect these practices have on U.S. trade. We believe that the President should have significantly increased means at his disposal for dealing with the problem of their prompt removal.

### THE TRADE ACT OF 1969

Considering the momentum of our deteriorating trade balance, and recognizing that fundamental solutions involving both domestic and foreign policy issues will take time, the steel industry believes that interim measures are necessary to prevent the irreversible decline of vital U.S. industries. For that reason we support the Trade Act of 1969, but only as a first step toward fundamental reform of the conditions that make such assistance necessary in the first place. Our endorsement presumes, of course, that the provisions for remedial action against harmful imports would be administered more stringently and effectively than they have in the past.

As indicated earlier in this statement, it is apparent that nearly every important industry in the United States is losing ground in the struggle against foreign competition. Thus, the assumption that principal reliance on adjustment assistance for injured industries and their employees will adequately compensate for dislocations caused by rising imports no longer has much validity, since opportunities for shifting resources to less impacted industries are shrinking.

Therefore, we cannot stress strongly enough our deep belief in the need for positive action to establish the conditions leading to fair as well as free trade, rather than the adoption of palliatives which deal with individual problems but fail to get at the root causes. At an appropriate time, we would be pleased to offer suggestions for strengthening certain provisions of H. R. 14870.

### OTHER RECOMMENDATIONS ON TRADE MATTERS

The steel industry recognizes, as President Nixon did, that H.R. 14870 is only the "beginning" of a program to update our trade policies.

Intelligent and realistic future trade policy cannot be formulated in a welter of conflicting claims, nor within a framework of outmoded economic assumptions. We urge, therefore, that comprehensive studies be undertaken promptly to provide answers to the following questions:

1. What are the causes, both domestic and foreign, of the decline in competitive strength of important American industries?

2. How effective are the existing mechanisms for adjusting imbalances in international trade in terms of the overall interests of the United States, and what new ones—both internal and external—are needed to serve those interests in the future?

3. Until more responsive and realistic adjustment mechanisms have been adopted, what should be done in light of the realities of international trade and the interests of the United States to prevent the irreversible decline of vital domestic industries?

Such studies should go well beyond what has been thought of traditionally as "trade" policies, but should delve into domestic issues that affect foreign trade indirectly or through linkages not readily apparent to casual observers of the problem. They should also investigate bold new approaches to the many related segments of our foreign trade problem—free exchange rates as a substitute for current international monetary mechanisms, for example.

Still others might include means of improving the collective bargaining process so as to achieve a better balance between wage and productivity gains, and to avoid waves of imported products in import-prone industries during the period of contract negotiations.

Where fair foreign competition may be rendering companies or industries economically obsolete, the studies should explore the feasibility of Government assistance in redirecting effort or diversifying so as to reemploy both the assets and workers of affected companies.

The present procedure for remedial action in the case of import damage leaves much to be desired. Relief from the debilitating effects of unfair trade practices is more often than not "too little, too late." The studies should look into the desirability of a single government agency to hear, investigate and act upon complaints under significantly shorter time limits than now exist.

As indicated earlier in this statement, there is need of a more centralized, cohesive and lucid foreign trade policy in the United States. This, too, should be considered in the studies.

Studies of such far-reaching dimensions will take time, and we are under no illusions that broad reform of U.S. trade policies can be accomplished easily or quickly. Reconciliation of diverse interests and the intertwining of other domestic and foreign policy objectives with the problem of international trade necessarily contribute to its delay. In the meantime, the problem continues to grow and interim measures are necessary to insure the continued welfare and security of all Americans.

H.R. 14870 is a stopgap measure which contains substantial improvements over the Trade Expansion Act of 1962. It does not, however, deal with the causes of our growing difficulties in the foreign trade area. Until more fundamental and lasting solutions are found, Congress should take additional action to insure that import-injured industries are given temporary relief through voluntary limitations by exporting countries, government-to-government agreements, or

legislative measures to provide for orderly trade as in H.R. 16920, H.R. 3 and similar bills.

In particular, the steel industry supports and urges negotiations to extend and improve the voluntary restraint program on exports of steel to the United States. That program, now in the second year of its 3-year life, will expire in 1971. In the absence of conditions that would assure a continued reasonable balance in world steel trade beyond then, an improved voluntary restraint program literally becomes the lifeline of the domestic steel industry.

The need for improvements is clearly evidenced by the fact that imports of several important products actually increased last year, instead of declining as was to be expected from the voluntary restraint program. The situation is stainless and other specialty steels is particularly critical, and I would like to elaborate on it briefly. Because of the seriousness of this problem, we have also included a more complete discussion as an appendix to this statement.

As far as these high performance steels are concerned, the voluntary restraint program has been almost totally ineffective. If foreign producers had adhered to the provisions of the program regarding product mix, imports of stainless and tool steels would have decreased by 24 percent from 1968 to 1969. Instead, they rose nearly 7 percent. As a result, imports of these key grades of steel exceeded the level implied in the voluntary program by 41 percent. Furthermore, this situation is continuing in 1970. If imports keep on at the same rate as in the first 3 months, they will exceed the voluntary restraint level by 50 percent for the year 1970 as a whole.

Imports of some carbon steel products also exceeded the voluntary restraint level last year. However, the failure of the program with respect to specialty steels is particularly serious since producers of these grades tend to be smaller companies which are especially vulnerable to damage by continually increasing imports. Many of them have neither the production and sales alternatives, nor the financial resources, to withstand the loss of basic markets over an extended period of time.

Returning now to the voluntary program as it applies to all steel mill products, there were also deviations with respect to geographic distribution. Imports into the Pacific coast were 25-percent greater than the level to be expected under the program.

Therefore, if the voluntary restraint program is to be truly effective in preventing irreparable damage to the steel industry or important segments thereof, it must include firm commitments as to maintenance of distribution by product categories and market areas.

Similarly, the 5-percent annual growth factor is substantially higher than the long-term rate of growth in the market here, and must be brought more into line.

In conclusion, Mr. Chairman, we in the steel industry believe that—

The current foreign trade policy in the United States is based on archaic assumptions that are out of line with present-day realities and the conditions upon which free trade is supposed to be based.

The domestic and foreign economic policies of the United States are inseparably related in their effect on our competitive position in world trade, and that both must be subjected to intense study in developing a new foreign trade policy appropriate to today's world.

A more realistic and tough-minded approach must be taken in convincing other countries that "fair" trade must precede "free" trade.

We do not pretend to know all the answers to the thorny trade problems confronting this Nation; that is why we have suggested that studies be initiated in great breadth and depth. But we are confident that a pragmatic approach to domestic and international policy that is based upon economic realities of today rather than theoretical hopes of the past will result in an easing of the difficulties which this Nation has encountered in its international trade and payments.

I thank you again for this opportunity to appear here today, and on behalf of the steel industry I offer our full cooperation and resources in the search for a modern, equitable and more effective international trade policy.

(The document referred to follows:)

APPENDIX TO STATEMENT OF GEORGE A. STINSON, CHAIRMAN, AMERICAN IRON AND STEEL INSTITUTE

THE SPECIALTY STEEL IMPORT PROBLEM

*The Specialty Steel Industry*

The problem is particularly severe in specialty steels. The voluntary restraint arrangements have not reduced imports of specialty steel mill products, and recent trade trends reflect a shift in imports into these higher grade, more expensive steels.

Specialty steels are thought of as stainless steels, tool steels, high temperature steels, and refractory, reactive, and electronic metals. This Appendix concentrates primarily on the stainless and tool steel segments of the specialty steel industry because these steels are readily identifiable in available statistical data published by the American Iron and Steel Institute and the U.S. Department of Commerce.

It is generally recognized that specialty steels are a distinct and readily identifiable part of the overall steel industry in the United States. In 1969 American producers of tool and stainless steel accounted for 1.1 per cent of net industry shipments of total steel mill products. These specialty steel products, however, represented approximately 7 per cent of total steel industry dollar sales.

Specialty steels are designed and produced for use in extreme environments requiring exceptional hardness, toughness, tensile strength, resistance to heat, corrosion, or abrasion, or a combination of these factors. These steels contain substantial amounts of expensive alloys such as chromium, nickel, molybdenum, titanium, columbium, tungsten, vanadium, cobalt, and other elements which provide their unique characteristics.

Because of the technological properties and alloy content of these sophisticated steels, specialty steels are difficult and costly to manufacture. Moreover, these steels are frequently produced to the specific requirements of individual customers. They are generally sold in pound weights rather than in tons.

Rising imports of specialty steels are a critical problem for American specialty steel producers. The voluntary restraint arrangements involving Japan and the EEC countries, which helped reduce total steel mill product imports to 14 million tons in 1969, have not produced a reduction in specialty steel imports. While the program of voluntary restraints is in effect, the strict adherence of foreign producers to their commitment not to change greatly the existing product mix is essential to prevent the continued loss of domestic specialty steel markets to imports and the disruption of the domestic specialty steel industry.

*Foreign Trade Trends in Specialty Steel Mill Products*

Approximately 90 per cent of identifiable specialty steel mill product imports are stainless steels; the remaining 10 per cent are primarily tool steels which

can be separated into two groups: high speed and other alloy tool steels. Between 1964 and 1969 imports of these specialty steel mill products rose rapidly from 88.4 thousand net tons to 197.5 thousand net tons, an average rate of 17.4 per cent annually. Imports increased their participation in the U.S. market for specialty steel mill products during this period from 10.2 per cent to 17.1 per cent, as shown in attached Table 1S. The steadily rising trend of specialty steel imports was discernible in the late 1950's and became significant between 1959 and 1964. Comprehensive statistical data on U.S. foreign trade in specialty steel mill products, however, was not published by the U.S. Department of Commerce until 1964. Therefore, references to the import problem before 1964 reflect general import trends indicted by the limited information available at the time.

*Market Penetration and Product Mix*

Imports of stainless steel mill products have increased every year, rising from 79.4 thousand net tons in 1964 to 182.2 thousand net tons in 1969 as illustrated in Table 2S. Throughout this period imports of stainless steel mill products increased at an average rate of 18.1 per cent annually, while the corresponding rate of growth for domestic shipments was only 3.4 per cent. This large continuing disparity between the rates of growth of imports and domestic shipments has resulted in the increasing penetration of domestic markets and the absorption of a significant share of the net growth in these markets by imports in recent years. For example, imports of stainless steel mill products rose from 10.5 per cent to 19.2 per cent of apparent consumption between 1964 and 1968, dropping only to 17.7 per cent in 1969, still the second highest level of import penetration on record. In this six year period, apparent consumption of stainless steel increased 27 thousand net tons. Stainless steel imports captured 103 thousand net tons, or 37.2 per cent of the growth in the domestic market.

By 1964 imports of stainless steel mill products had made significant inroads into virtually every product line. Products imported in largest volume were cold rolled sheets, semi-finished products, wire rods, round wire, and strip and flat wire, as illustrated in Table 3S. This table also shows the shift of stainless steel imports from lower to higher value products. Imports of flat-rolled products now account for 46 per cent of total stainless imports, whereas in 1964 their share represented 41 per cent. Imports of other, more sophisticated products such as bars and pipe and tubing also have increased while the share of total imports represented by semi-finished products and wire rods has receded.

With respect to tool steels, imports of these products rose sharply from 9 thousand net tons to over 15 thousand net tons during the 1964–1969 period. The growth in imports occurred at an average annual rate of 10.9 per cent while the rate of growth of domestic tool steel shipments increased only 2.2 per cent annually. Imports as a percentage of apparent consumption increased steadily, from 8.3 per cent in 1964 to a high of 14.8 per cent in 1967 and 12.1 per cent in 1969 as shown in Table 4S. Apparent consumption of tool steel increased from 109 thousand net tons in 1964 to 126 thousand in 1969, an increase of 15.8 per cent. Imports captured 6 thousand tons, or over 35 per cent of the 17 thousand ton growth in the domestic market.

Imports of each of the two groups of tool steel, high speed and other alloy tool steels, increased rapidly in the 1964–1969 period, as shown in Table 5S. Imports of high speed tool steels increased from 2.7 thousand net tons in 1964 to approximately 5 thousand net tons in 1969, an increase of 87 per cent. Growth of imports has been substantial in most high speed tool steel products. Table 5S shows the largest increases in tonnage have occurred in bars and wire rods.

Imports of other alloy tool steel during the 1964–1969 period increased from approximately 6.4 thousand net tons to 10.2 thousand net tons, an increase of 60 per cent. Table 5S indicates most of the increased tonnage has been in hot rolled bars.

*Country of Origin of Imports*

Japan is the largest supplier of stainless steel mill product imports to the United States, accounting for better than 45 per cent, on the average, of total imports. Imports from Japan rose from 34 thousand net tons in 1964 to 86 thousand net tons in 1969, an increase of 153 per cent. While it is generally believed that some of the Canadian tonnage is processed and re-exported, Canada is still a major supplier with 30.1 per cent of total imports in 1969. Sweden ranks

third with 8.6 per cent of total imports, followed by France with 7.8 per cent, and the United Kingdom with 2.8 per cent, as shown in Table 6S. Imports from every major foreign supplier of stainless steel mill products have increased steadily through the 1964-1969 period. In 1969 more than 40 per cent of our stainless steel mill product imports were supplied by countries not participating in the voluntary restraint program.

In tool steels, Sweden, Austria, Canada, and Japan, in that order, are the major suppliers of both high speed and other alloy tool steels, as indicated in Tables 7S and 8S. Again more than two-thirds of tool steel imports in 1969 came from countries which did not participate in the voluntary restraint program.

*Port of Entry of Imports*

Since 1964 there has been a major shift in the geographic distribution of stainless steel imports. The greatest volume of imports in this period entered through the Great Lakes and other ports of entry along the Canadian border. In 1969 the import tonnage through this area was 73.3 thousand tons, or 40.3 per cent of total imports. The second largest customs region is the Atlantic Coast through which 73 thousand tons, or 40.1 per cent of total imports, entered the United States in 1969. However, as Table 9S illustrates, in the last six years the share of total imports into these two largest customs regions dropped off, while the share of total imports into the Pacific and Gulf Coasts increased. The most significant gain took place in Pacific Coast imports which represented only 8.1 per cent of total imports in 1964 but accounted for 14.3 per cent in 1969.

In tool steels imports expanded steadily into all major custom regions through 1967. The Atlantic Coast received the largest share of tool steel imports, followed by the Canadian border and Great Lakes region. In 1968 and 1969, however, imports into these regions declined while imports to the Pacific Coast increased, as shown in Table 10S.

*Impact of Specialty Steel Imports*

The specialty steel industry includes many comparatively small business enterprises, as measured by volumes of production and sales. Although some of the large carbon steel producers also produce specialty steels, it is estimated they account for no more than one-third of total industry shipments of stainless and tool steel mill products.

Specialty steels are high-fixed-cost products, and high operating rates must be maintained to minimize unit production costs. Changes in the volume of production, which in turn reflects the market demand for specialty steels, quickly influence profitability. The steady loss of the domestic market to imports could result in the eventual curtailment of production or the inability of the specialty steel industry to grow and modernize. These effects are particularly severe on small companies since many have neither the production and sales alternatives nor the financial resources with which to minimize the negative impact on their operations of the loss of basic markets over an extended period of time.

The fundamental reason for the loss of domestic markets to imports is price. In recent years prevailing import prices for specialty steel products have been substantially below comparable domestic prices. An indication of the magnitude of this disparity is shown in statistics on stainless steel published by the U.S. Bureau of the Census. The average domestic sales realization for all stainless grades of steel mill products was $1,130 per net ton in 1967, the latest year for which the information is available. The comparable f.o.b. value of imports of stainless steel mill products was $673 per net ton. Adding an average duty of $93 and freight, handling, and insurance costs of $29 brings the estimated average delivered price of imported stainless steel to $795 per ton. This average import price is 30 per cent, or $335, below the average domestic price for stainless steel.

The prevailing market price of individual transactions may vary substantially from these averages, depending upon the specifications of the product and other competitive factors. However, the magnitude of the disparity between domestic and import prices indicated by these general averages demonstrates the competitive dilemma which confronts the domestic specialty steel producer. On the one hand, when the price differential between import and domestic specialty steels is at least four times greater than the average rate of return on sales for the

domestic industry, the possibility of profitable competition by across-the-board alignment of domestic prices with prevailing import prices is foreclosed to the domestic producer. On the other hand, the magnitude of this price differential is a strong inducement to consumers to purchase foreign steel, particularly during inflationary periods. This latter condition is readily apparent in the steady deterioration of the balance of trade in specialty steel mill products from a surplus of $31 million in 1964 to a deficit of $70 million in 1969, as illustrated in Table 11S.

As a greater share of the domestic market is relinquished to imports, the United States is becoming increasingly dependent upon imports as a source of supply for specialty steels. Because of the strategic importance of specialty steels in our contemporary industrial economy, national military, economic, and political considerations suggest that an equitable balance should be achieved between imports and domestic production.

*National Requirements for Specialty Steels*

The national requirements for specialty steels are best classified into two groups: those industrial needs of the United States which are necessary to maintain both the civilian economy and a strong industrial base in peacetime and in emergencies and those defense needs which bear directly on military preparedness. Many uses of specialty steels in these two areas are interrelated, and often manufactured products containing specialty steels can be used for both civilian and military purposes. However, the needs of our civilian economy and our defense operations are dependent upon the ability of this nation to maintain a strong, viable industrial base. Impairment of this industrial base is a direct threat to our national security.

With respect to the industrial needs of the United States for specialty steels, our industrial economy is dependent upon these steels because there are many critical applications for specialty steels for which there is no economic, or readily available, substitute material. To keep the highly mechanized and broadly diversified economy of this country running smoothly, specialty steels are an indispensable basic material used by many industries in producing goods and services for the American people.

For example, the electrical power system of the United States could not function without specialty steels because there is no economic, or readily available, substitute for these steels in the shafting, buckets, blades, and other parts of the giant turbines, which are the basic power unit of the electrical power system. To prevent the immobilization of part of the nation by a massive power failure such as the East Coast blackout in the fall of 1965, jet turbine engines, which cannot be made without specialty steels, are now being used as standby and auxiliary units. In the nuclear power industry also, specialty steels are standard in certain equipment applications such as pool liners and tubing for condensation and feedwater exchange processes.

The aircraft industry must have specialty steels. Applications of specialty steels in this industry vary widely from jet engines to aircraft firewalls, exhaust systems, heating units, and engine cowlings. Another critical application is found in sensitive electronic instrumentation devices which are essential to the performance of the aircraft and the identification and regulation of the flow of air traffic. For the United States, air travel has become not only a basic transportation system for passengers and freight but also a vital force in the nation's defense system.

Technological advancement in the aviation industry and in other industries has resulted in the need for new, high temperature, critical performance specialty steels. One of the crucial factors in developing steels for new applications is the time required to translate metallurgical and technological know-how and materials into a quality-performance product. The benefits of technological development are cumulative. Therefore, the United States must not only preserve but also build on its present reservoir of knowledge about the production and application of specialty steels in our industrial society. There is no better example of this requirement than the space industry which is, itself, an outgrowth of the aviation industry. The moon shot and other space projects would be impossible without specialty steels for rocket engines, mobile launching stations, lunar

landing modules, electronic instrumentation devices, and related instruments, machinery, and equipment.

The magnetic and electronic properties of some specialty steels are invaluable in all types of contact-switches, and none of these applications is more essential, or more mundane, than the simple telephone switch. Many semiconductor devices, including transistors and integrated circuits, require electronic glass sealing alloys. The uses of the vacuum tube in electronic applications are countless.

Specialty steels are used widely in the food processing industry, including the dairy industry, because the corrosion resistance properties and the fabricating characteristics of these steels reduce contamination and facilitate the sanitary handling of foods. There are many uses of specialty steels in this industry for which there is no generally acceptable substitute material, and there are some equipment applications in meat packing equipment, dairy handling equipment, and milking machines where specialty steels are required by law.

Critical bearing applications, gears, valves and valve stems, gauge parts, pump parts, dies, and cutting tools are essential to industry and science. Specialty steels are used extensively in these applications.

The foregoing examples point up a few of the basic civilian and industrial requirements of the United States which must be met with specialty steels because there is no economic, or readily available, substitute material. This list of critical applications is by no means exhaustive; however, these examples illustrate three basic conclusions with respect to the importance of specialty steels to the nation.

1. The national security of the United States starts with the abiliy of this nation to maintain a viable industrial base and civilian economy both in peacetime and in a period of national emergency.

2. Specialty steels are an indispensable industrial material, and, therefore, this domestic industry is a strategic national resource.

3. This nation should maintain an adequate level of self-sufficiency, not only in the production and supply capability of the domestic industry, but also by maintaining a contemporary reservior of technology and a skilled, experienced, and adequate labor force. In short, the national security requirements of the United States are best met by providing an economic climate in which the domestic specialty steel industry will continue to grow and to expand.

The higher price of domestic specialty steel in comparison with prevailing import prices includes not only the cost of our security but also the price of our prosperity. These domestic prices reflect fundamental social and economic costs: the cost of full employment, the cost of good government, the cost of capital, and the cost of basic economic gains such as profits, growth, and expansion. As former Secretary of Commerce Smith said on September 18, 1968, "Disruptions in the country's ability to produce can threaten our security from within. The billions of dollars we spend on education, health, manpower training, and other social purposes will disappear unless the private sector produces the revenue base for these programs. And, without funds for worthy purposes, domestic disquiet can reduce our capacity to defend our borders . . .

" . . . Without a healthy economic base, much of our leadership in outer space becomes forfeit, scientific and technological gains slide out of reach, our prestige and influence in world councils diminishes.

"There is much, in short, that we need to do and continue to do by way of national defense, but little achievement will be possible without the foundation—economic strength."

With respect to our national defense requirements for specialty steels, the Department of Defense estimates that 9.5 percent of total industry shipments of stainless steel in 1968 were needed to meet military requirements for these steels. Future projections for the mid-1970's, made by the Office of Emergency Preparedness in accordance with its planning assumptions, indicate that 10.4 percent of total industry shipments of stainless steel will go to direct defense applications. These applications primarily include: aircraft, missiles, ships, tanks, automotive vehicles, weapons, ammunition, electronics, and construction uses. A few examples illustrate the importance of specialty steels in these applications. For instance, specialty steels are essential for the manufacture and

transportation of nitric acid. The antispike innersole of the combat boot now being worn in Vietnam is a specialty steel. The major parts of the Minuteman 2 and 3, the Poseidon, as well as other smaller missile systems are made from specialty steel.

Increasing dependence upon imports of specialty steels is perilous should the availability of imports be disrupted. The production of specialty steels in Canada and Mexico is small. Consequently, these countries cannot now be considered as adequate, contiguous sources for specialty steels in the event that the inflow of steel from Europe and Japan is impeded. Self-suffciency in specialty steel production is imperative for the United States, and a reasonable balance between imports and domestic production will ensure the stability and viability of this industry.

The U.S. Government stockpiles strategic metallic elements, among which are chromium, nickel, molybdenum, tungsten, vanadium, and cobalt, to ensure the availability of these materials for the production of specialty steel and other products in the event of a national emergency. Impairment of our domestic production capability from excessive imports is inconsistent with the purpose of this national security objective of guaranteeing a raw materials base for U.S. industry.

The military requirements for specialty steels cannot be met without a permanent, viable domestic source of production since it is impossible to predict the advent, or duration, of a national emergency and since military security involves a perpetual state of readiness and forward planning. Furthermore, military security is contingent upon the maintenance of a minimum, essential civilian economy in the United States during national emergencies. This implies the ability of the civilian economy to meet the general economic requirements of the population, as well as the productive capability of industry.

*The Voluntary Restraint Arrangements*

The voluntary restraint program has not reduced imports of specialty steel mill products. In 1969 imports of stainless and tool steels not only exceeded the targets of the voluntary restraint program but also increased substantially over the 1968 level of imports as illustrated in Table 12S, Similarly, total imports from Japan, the EEC, and the category of "all other" countries were over the voluntary restraint targets. With the exception of tool steel imports from Japan and stainless steel imports from the EEC, imports from these countries also exceeded 1968 imports.

In general product categories 1969 imports of all stainless steel mill products, shown in Table 3S, were over their voluntary restraint levels even though imports of stainless steel wire rods, hot rolled bars, cold rolled sheets, and strip and flat wire receded from 1968 imports. In tool steels, 1969 imports of other alloy tool steel products, shown in Table 5S, were both over the voluntary restraint target over the level of imports in the previous year. In high speed tool steels, hot rolled bars and wire were substantially below the voluntary targets, but cold finished bars and plates and sheets were above both the targets and 1968 levels.

Imports of specialty steel mill products did not follows the 1968 pattern of geographic distribution. In stainless steel there was a significant shift in imports to the Canadian border and Great Lakes customs region and to the Pacific Coast ports, as illustrated in Table 9S. The shift in tool steels was toward the Atlantic Coast for imports of high speed tool steels and the Atlantic Coast and Pacific Coast for imports of other alloy tool steels, as shown in Table 10S.

The import record for 1969 indicates strongly that compliance with, and possibly renegotiation of, the voluntary restraint arrangements is essential to the welfare of the specialty steel industry. More supplying nations, specifically Canada, Austria, Sweden, and the United Kingdom, must be encouraged to participate in this program, and the product mix and geographical distribution patterns must be more rigorously observed in order to avoid serious dislocations of specialty markets.

TABLE 1S.—U.S. FOREIGN TRADE IN TOTAL SPECIALTY STEEL (STAINLESS AND TOOL STEEL)

[Net tons]

| Year | Net industry shipments | Imports | Exports | Apparent consumption | Imports as a percent of apparent consumption | Exports as a percent of net industry shipments |
|---|---|---|---|---|---|---|
| 1969 | 1,023,374 | 197,477 | 63,599 | 1,157,252 | 17.1 | 6.2 |
| 1968 | 925,408 | 189,193 | 89,258 | 1,025,433 | 18.5 | 9.6 |
| 1967 | 947,009 | 168,180 | 117,658 | 997,531 | 16.9 | 12.4 |
| 1966 | 1,054,286 | 155,004 | 90,979 | 1,118,311 | 13.9 | 8.6 |
| 1965 | 997,412 | 126,414 | 94,717 | 1,029,109 | 12.3 | 9.5 |
| 1964 | 873,621 | 88,433 | 98,276 | 863,778 | 10.2 | 11.2 |

Source: U.S. Bureau of the Census.

TABLE 2S.—U.S. FOREIGN TRADE IN STAINLESS STEEL [1]

[Net tons]

| Year | Net industry shipments | Imports | Exports | Apparent consumption | Imports as a percent of apparent consumption | Exports as a percent of net industry shipments |
|---|---|---|---|---|---|---|
| 1969 | 909,453 | 182,224 | 60,874 | 1,030,803 | 17.7 | 6.7 |
| 1968 | 819,042 | 174,031 | 87,652 | 905,421 | 19.2 | 10.7 |
| 1967 | 837,080 | 149,321 | 116,019 | 870,382 | 17.2 | 13.9 |
| 1966 | 932,941 | 137,390 | 89,204 | 981,127 | 14.0 | 9.6 |
| 1965 | 879,170 | 113,460 | 93,065 | 899.565 | 12.6 | 10.6 |
| 1964 | 771,242 | 79,352 | 96,001 | 754,593 | 10.5 | 12.4 |

[1] Includes heat resisting steels.

Source: U.S. Bureau of the Census.

TABLE 3S.—IMPORTS OF STAINLESS STEEL BY PRODUCT GROUPS

[Net tons]

| Year | Total | Semi-finished | Wire rods | H.R. bars | C.F. bars | Round wire | Plates | H.R. sheets | C.R. sheets | Strip and flat wire | Pipe and tube |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1969 | 182,224 | 49,044 | 14,864 | 6,507 | 6,121 | 13,966 | 7,153 | 1,993 | 62,739 | 11,908 | 7,929 |
| 1968 | 174,031 | 39,602 | 15,925 | 8,003 | 4,640 | 11,364 | 5,198 | 860 | 69,012 | 12,736 | 6,691 |
| 1967 | 149,321 | 41,658 | 13,227 | 4,391 | 5,405 | 12,012 | 3,787 | 722 | 53,066 | 7,787 | 7,266 |
| 1966 | 137,390 | 44,091 | 12,688 | 5,006 | 2,903 | 9,156 | 1,899 | 1,320 | 47,228 | 8,967 | 4,132 |
| 1965 | 113,460 | 44,110 | 9,073 | 2,251 | 2,463 | 6,625 | 884 | 1,317 | 37,245 | 5,902 | 3,590 |
| 1964 | 79,352 | 28,993 | 8,076 | 1,112 | 1,375 | 5,028 | 786 | 1,662 | 24,985 | 5,230 | 2,105 |
| Percentage of total: | | | | | | | | | | | |
| 1969 | 100.0 | 26.9 | 8.1 | 3.6 | 3.4 | 7.7 | 3.9 | 1.1 | 34.4 | 6.5 | 4.4 |
| 1968 | 100.0 | 22.8 | 9.2 | 4.6 | 2.7 | 6.5 | 3.0 | .5 | 39.6 | 7.3 | 3.8 |
| 1967 | 100.0 | 27.9 | 8.9 | 2.9 | 3.6 | 8.1 | 2.5 | .5 | 35.5 | 5.2 | 4.9 |
| 1966 | 100.0 | 32.1 | 9.2 | 3.6 | 2.1 | 6.7 | 1.4 | 1.0 | 34.4 | 6.5 | 3.0 |
| 1965 | 100.0 | 38.9 | 8.0 | 2.0 | 2.2 | 5.8 | .8 | 1.1 | 32.8 | 5.2 | 3.2 |
| 1964 | 100.0 | 36.5 | 10.2 | 1.4 | 1.7 | 6.3 | 1.0 | 2.1 | 31.5 | 6.6 | 2.7 |

Source: U.S. Bureau of the Census.

TABLE 4S.—U.S. FOREIGN TRADE IN TOTAL TOOL STEEL

[Net tons]

| Year | Net industry shipments | Imports | Exports | Apparent consumption | Imports as a percent of apparent consumption | Exports as a percent of net industry shipments |
|---|---|---|---|---|---|---|
| 1969 | 113,921 | 15,253 | 2,725 | 126,449 | 12.1 | 2.4 |
| 1968 | 106,366 | 15,162 | 1,606 | 119,922 | 12.6 | 1.5 |
| 1967 | 109,929 | 18,859 | 1,639 | 127,149 | 14.8 | 1.5 |
| 1966 | 121,345 | 17,614 | 1,775 | 137,184 | 12.8 | 1.5 |
| 1965 | 118,242 | 12,954 | 1,652 | 129,544 | 10.0 | 1.4 |
| 1964 | 102,379 | 9,081 | 2,275 | 109,185 | 8.3 | 2.2 |

Source: U.S. Bureau of the Census.

TABLE 5S.—IMPORTS OF TOOL STEEL BY PRODUCT GROUPS

[Net tons]

| Year | High speed tool steel | | | | | | Other alloy tool steel | | | | Grand total tool steel |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Wire rods | H.R. bars | C.F. bars | Plates and sheets | Wire | Total high speed tool steel | Wire rods | H.R. bars | C.F. bars | Total other alloy tool steel | |
| 1969 | 1,390 | 1,410 | 1,180 | 477 | 550 | 5,007 | 1,606 | 7,584 | 1,056 | 10,246 | 15,253 |
| 1968 | 916 | 2,319 | 980 | 172 | 1,717 | 6,104 | 1,393 | 6,911 | 754 | 9,058 | 15,162 |
| 1967 | 650 | 1,667 | 1,262 | 105 | 1,890 | 5,574 | 1,830 | 10,589 | 8,661 | 13,285 | 18,859 |
| 1966 | 600 | 1,908 | 1,664 | 478 | 379 | 5,029 | 2,497 | 9,297 | 791 | 12,585 | 17,614 |
| 1965 | 254 | 1,831 | 635 | 134 | 326 | 3,180 | 3,774 | 5,555 | 445 | 9,774 | 12,954 |
| 1964 | 90 | 1,202 | 462 | 132 | 788 | 2,674 | 1,773 | 4,214 | 420 | 6,407 | 9,081 |
| | Percentage of total high speed tool steel | | | | | | Percentage of other alloy tool steel | | | | |
| 1969 | 27.7 | 28.1 | 23.6 | 9.6 | 11.0 | 100.0 | 15.7 | 73.8 | 10.5 | 100.0 | ------- |
| 1968 | 15.0 | 38.0 | 16.0 | 2.8 | 28.2 | 100.0 | 15.4 | 76.3 | 8.3 | 100.0 | ------- |
| 1967 | 11.7 | 29.9 | 22.6 | 1.9 | 33.9 | 100.0 | 13.8 | 79.7 | 6.5 | 100.0 | ------- |
| 1966 | 11.9 | 38.0 | 33.1 | 9.5 | 7.5 | 100.0 | 19.8 | 73.9 | 6.3 | 100.0 | ------- |
| 1965 | 8.0 | 57.6 | 20.0 | 4.2 | 10.2 | 100.0 | 38.6 | 56.8 | 4.6 | 100.0 | ------- |
| 1964 | 3.4 | 44.9 | 17.3 | 4.9 | 29.5 | 100.0 | 27.7 | 65.8 | 6.5 | 100.0 | ------- |

Source: U.S. Bureau of the Census.

TABLE 6S.—U.S. IMPORTS OF STAINLESS STEEL BY COUNTRY OF ORIGIN

[Net tons]

| Year | Japan | Canada | Sweden | United Kingdom | France | Belgium-Luxembourg | West Germany | Italy | EEC Total [1] | Austria | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1969 | 86,235 | 54,790 | 15,615 | 5,099 | 14,222 | 2,098 | 1,422 | 1,385 | 19,129 | 397 | 959 | 182,224 |
| 1968 | 83,141 | 42,609 | 17,599 | 5,641 | 16,881 | 3,036 | 1,481 | 1,819 | 23,218 | 1,483 | 340 | 174,031 |
| 1967 | 67,989 | 46,204 | 13,965 | 3,077 | 12,522 | 1,173 | 1,737 | 1,513 | 16,972 | 511 | 603 | 149,321 |
| 1966 | 65,299 | 46,778 | 10,225 | 1,789 | 10,013 | 722 | 1,223 | 781 | 12,759 | 140 | 400 | 137,390 |
| 1965 | 51,929 | 44,454 | 6,171 | 1,343 | 7,761 | 264 | 808 | 230 | 9,063 | 175 | 325 | 113,460 |
| 1964 | 34,155 | 30,050 | 5,889 | 1,037 | 6,526 | 484 | 679 | 89 | 7,840 | 270 | 111 | 79,352 |
| Percentage of total: | | | | | | | | | | | | |
| 1969 | 47.3 | 30.1 | 8.6 | 2.8 | 7.8 | 1.1 | 0.8 | 0.8 | 10.5 | 0.2 | 0.5 | 100.0 |
| 1968 | 47.8 | 24.5 | 10.1 | 3.2 | 9.7 | 1.7 | .9 | 1.0 | 13.3 | .9 | .2 | 100.0 |
| 1967 | 45.5 | 30.9 | 9.4 | 2.1 | 8.4 | .8 | 1.2 | 1.0 | 11.4 | .3 | .4 | 100.0 |
| 1966 | 47.5 | 34.1 | 7.4 | 1.3 | 7.3 | .5 | .9 | .6 | 9.3 | .1 | .3 | 100.0 |
| 1965 | 45.8 | 39.2 | 5.4 | 1.2 | 6.8 | .2 | .7 | .2 | 8.0 | .2 | .3 | 100.0 |
| 1964 | 43.1 | 37.9 | 7.4 | 1.3 | 8.2 | .6 | .9 | .1 | 9.9 | .3 | .2 | 100.0 |

[1] Includes negligible tonnage from the Netherlands.

Source: U.S. Bureau of the Census.

TABLE 7S.—U.S. IMPORTS OF HIGH SPEED TOOL STEEL BY COUNTRY OF ORIGIN

| Year | Sweden | Austria | Canada | Japan | United Kingdom | West Germany | Belgium-Luxembourg | France | Other countries | EEC total [1] | Total [1] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net tons: | | | | | | | | | | | |
| 1969 | 1,756 | 737 | 620 | 549 | 231 | 177 | ---------- | 383 | 14 | 1,113 | 5,007 |
| 1968 | 1,361 | 930 | 995 | 751 | 663 | 529 | 653 | 218 | 4 | 1,400 | 6,104 |
| 1967 | 1,053 | 1,205 | 744 | 706 | 28 | 599 | 751 | 161 | 327 | 1,511 | 5,574 |
| 1966 | 1,058 | 1,367 | 1,128 | 716 | 45 | 209 | 146 | 348 | 12 | 703 | 5,029 |
| 1965 | 700 | 827 | 882 | 540 | 35 | 123 | ---------- | 73 | ---------- | 196 | 3,180 |
| 1964 | 418 | 759 | 328 | 421 | 81 | 284 | ---------- | 78 | 305 | 362 | 2,674 |
| Percentage of total: | | | | | | | | | | | |
| 1969 | 35.1 | 14.7 | 12.4 | 11.0 | 4.6 | 14.3 | ---------- | 7.7 | 0.2 | 22.2 | 100.0 |
| 1968 | 22.4 | 15.2 | 16.3 | 12.3 | 10.9 | 8.6 | 10.7 | 3.6 | ---------- | 22.9 | 100.0 |
| 1967 | 18.9 | 21.6 | 13.3 | 12.7 | 0.5 | 10.7 | 13.5 | 2.9 | 5.9 | 27.1 | 100.0 |
| 1966 | 21.0 | 27.2 | 22.4 | 14.2 | 0.9 | 4.2 | 2.9 | 6.9 | 0.3 | 14.0 | 100.0 |
| 1965 | 22.0 | 26.0 | 27.7 | 17.0 | 1.1 | 3.9 | ---------- | 2.3 | ---------- | 6.2 | 100.0 |
| 1964 | 15.6 | 28.5 | 12.3 | 15.7 | 3.0 | 10.6 | ---------- | 2.9 | 11.4 | 13.5 | 100.0 |

[1] Includes negligible tonnage from other EEC countries not listed.

Source: U.S. Bureau of the Census.

TABLE 8S.—U.S. IMPORTS OF ALLOY TOOL STEEL PRODUCTS BY COUNTRY OF ORIGIN

| Year | Sweden | Austria | Canada | Japan | United Kingdom | West Germany | Belgium-Luxembourg | France | Other countries | EEC total [1] | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net tons: | | | | | | | | | | | |
| 1969 | 2,978 | 2,417 | 1,854 | 911 | 637 | 810 | ---------- | 463 | 176 | 1,274 | 10,246 |
| 1968 | 2,444 | 1,892 | 1,887 | 1,490 | 393 | 626 | 20 | 145 | 161 | 791 | 9,058 |
| 1967 | 3,254 | 2,057 | 4,724 | 1,269 | 404 | 1,302 | 96 | 168 | 11 | 1,566 | 13,285 |
| 1966 | 3,690 | 2,628 | 1,645 | 2,190 | 358 | 1,419 | 152 | 486 | 17 | 2,057 | 12,585 |
| 1965 | 2,389 | 1,796 | 977 | 228 | 424 | 2,236 | 1 | 1,706 | 17 | 3,943 | 9,774 |
| 1964 | 2,016 | 776 | 783 | 296 | 492 | 340 | 4 | 1,700 | ---------- | 2,045 | 6,407 |
| Percentage of total: | | | | | | | | | | | |
| 1969 | 29.0 | 23.6 | 18.1 | 8.9 | 6.2 | 7.9 | ---------- | 4.5 | 1.8 | 12.4 | 100.0 |
| 1968 | 27.0 | 20.9 | 20.8 | 16.4 | 4.3 | 6.9 | 0.2 | 1.6 | 1.8 | 8.7 | 100.0 |
| 1967 | 24.5 | 15.5 | 35.6 | 9.6 | 3.0 | 9.8 | 0.7 | 1.3 | ---------- | 11.8 | 100.0 |
| 1966 | 29.3 | 20.9 | 13.1 | 17.4 | 2.8 | 11.3 | 1.2 | 3.9 | ---------- | 16.3 | 100.0 |
| 1965 | 24.4 | 18.4 | 10.0 | 2.3 | 4.3 | 22.9 | ---------- | 17.5 | ---------- | 40.3 | 100.0 |
| 1964 | 31.5 | 12.1 | 12.2 | 4.6 | 7.7 | 5.3 | 0.1 | 26.5 | ---------- | 31.9 | 100.0 |

[1] Includes negligible tonnage from other EEC countries not listed.

Source: U.S. Bureau of the Census.

TABLE 9S.—U.S. IMPORTS OF STAINLESS STEEL BY REGION OF ENTRY

| | Net tons | | | | | | Percentage of total | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 |
| Atlantic coast | 73,062 | 79,369 | 64,259 | 56,058 | 43,273 | 32,736 | 40.1 | 45.6 | 43.0 | 40.8 | 38.1 | 41.2 |
| Canadian border and Great Lakes | 73,311 | 64,053 | 61,820 | 63,575 | 57,109 | 38,532 | 40.3 | 36.8 | 41.4 | 46.3 | 50.3 | 48.6 |
| Pacific coast | 26,064 | 20,217 | 16,221 | 12,926 | 9,932 | 6,391 | 14.3 | 11.6 | 10.9 | 9.4 | 8.8 | 8.1 |
| Gulf coast | 9,182 | 9,899 | 6,813 | 4,625 | 3,012 | 1,569 | 5.0 | 5.7 | 4.6 | 3.4 | 2.7 | 2.0 |
| Offshore | 605 | 493 | 208 | 206 | 134 | 124 | .3 | .3 | .1 | .1 | .1 | .1 |
| Total | 182,224 | 174,031 | 149,321 | 137,390 | 113,460 | 79,352 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: U.S. Bureau of the Census.

TABLE 10S.—U.S. IMPORTS OF TOOL STEEL BY REGION OF ENTRY

| | Net tons | | | | | | Percentage of total | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 |
| High-speed tool steel: | | | | | | | | | | | | |
| Atlantic coast | 3,158 | 3,386 | 3,168 | 2,843 | 1,730 | 1,997 | 63.1 | 55.5 | 56.8 | 56.5 | 54.4 | 74.7 |
| Canadian border and Great Lakes | 1,598 | 2,059 | 1,788 | 1,698 | 1,373 | 671 | 31.9 | 33.7 | 32.1 | 33.8 | 43.2 | 25.1 |
| Pacific coast | 207 | 422 | 197 | 379 | 38 | 3 | 4.1 | 6.9 | 3.5 | 7.5 | 1.2 | .2 |
| Gulf coast | 3 | 173 | 384 | 78 | 39 | ---------- | .8 | 2.8 | 6.9 | 1.6 | 1.2 | ---------- |
| Offshore | 41 | 64 | 37 | 31 | ---------- | 3 | .1 | .1 | .7 | .6 | ---------- | ---------- |
| Total | 5,007 | 6,104 | 5,574 | 5,029 | 3,180 | 2,674 | 100.0 | 100.0 | 100.0 | 00.0 | 100.0 | 100.0 |
| Other alloy tool steel: | | | | | | | | | | | | |
| Atlantic coast | 3,862 | 4,773 | 6,176 | 6,631 | 5,238 | 4,615 | 37.7 | 52.7 | 46.5 | 52.8 | 53.6 | 71.9 |
| Canadian border and Great Lakes | 4,881 | 3,200 | 6,345 | 5,019 | 4,187 | 1,553 | 47.6 | 35.3 | 47.8 | 39.9 | 42.9 | 24.2 |
| Pacific coast | 1,320 | 1,004 | 682 | 781 | 348 | 239 | 12.9 | 11.0 | 5.1 | 6.2 | 3.5 | 4.9 |
| Gulf coast | 183 | 81 | 79 | 144 | 1 | ---------- | 1.8 | 1.0 | .6 | 1.1 | ---------- | ---------- |
| Offshort | ---------- | ---------- | 3 | 10 | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| Total | 10,246 | 9,058 | 13,285 | 12,585 | 9,774 | 6,407 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: U.S. Bureau of the Census.

Table 11S.—BALANCE OF TRADE OF TOTAL SPECIALTY STEEL (STAINLESS AND TOOL STEEL)

[Dollars amounts in thousands]

| Year | Imports | | Exports | | Balance | |
|---|---|---|---|---|---|---|
| | Net tons | Amount | Net tons | Amount | Net tons | Amount |
| 1969 | 197,477 | $139,782 | 63,599 | $69,485 | −133,878 | −$70,297 |
| 1968 | 189,193 | 132,783 | 89,257 | 67,083 | −99,936 | −65,700 |
| 1967 | 168,180 | 112,950 | 116,659 | 85,059 | −51,521 | −27,891 |
| 1966 | 155,004 | 99,004 | 91,079 | 80,043 | −63,925 | −18,961 |
| 1965 | 126,414 | 76,887 | 94,717 | 84,267 | −31,697 | +7,380 |
| 1964 | 88,433 | 50,037 | 98,276 | 81,407 | +9,843 | +31,370 |

Source: U.S. Bureau of the Census.

TABLE 12S.—IMPORTS OF STEELMILL PRODUCTS BY GRADES, YEARS 1969 AND 1968

| | Year 1969 (net tons) | Percent of total | Year 1968 (net tons) | Percent of total | Voluntary restraint level | Percent change, 1969 versus— | |
|---|---|---|---|---|---|---|---|
| | | | | | | Year 1968 | Voluntary restraint level |
| Carbon steel | 13,498,656 | 96.18 | 17,471,248 | 97.28 | 13,633,334 | −22.7 | −1.0 |
| Japan | 5,997,597 | 95.92 | 7,078,617 | 97.05 | 5,580,072 | −15.3 | +7.5 |
| EEC | 5,151,469 | 99.08 | 7,046,079 | 99.28 | 5,708,473 | −26.9 | −9.8 |
| All other | 2,349,590 | 90.99 | 3,346,552 | 93.79 | 2,344,789 | −29.8 | +.2 |
| Stainless steel | 182,224 | 1.30 | 172,168 | .96 | 130,512 | +5.8 | +39.8 |
| Japan | 86,236 | 1.38 | 82,664 | 1.13 | 65,364 | +4.3 | +32.3 |
| EEC | 19,129 | .37 | 22,133 | .31 | 17,941 | −13.6 | +6.7 |
| All other | 76,859 | 2.98 | 67,371 | 1.89 | 47,207 | +14.1 | +62.8 |
| Tool steel | 15,262 | .11 | 13,106 | .07 | 9,511 | +16.5 | +60.5 |
| Japan | 1,460 | .02 | 1,576 | .02 | 1,242 | −7.4 | +17.6 |
| EEC | 2,387 | .04 | 1,738 | .02 | 1,408 | +37.3 | +69.5 |
| All other | 11,415 | .44 | 9,792 | .27 | 6,861 | +16.6 | +66.4 |
| Other alloy steel | 338,145 | 2.41 | 302,790 | 1.69 | 226,643 | +11.7 | +49.2 |
| Japan | 167,322 | 2.68 | 131,069 | 1.80 | 103,322 | +27.7 | +61.9 |
| EEC | 26,472 | .51 | 27,375 | .39 | 22,178 | −3.3 | +19.4 |
| All other | 144,351 | 5.59 | 144,346 | 4.05 | 101,143 | | +42.7 |
| Total steel | 14,034,287 | 100.00 | 17,959,312 | 100.00 | 14,000,000 | −21.9 | +.2 |
| Japan | 6,252,615 | 100.00 | 7,293,926 | 100.00 | 5,750,000 | −14.3 | +8.7 |
| EEC | 5,199,457 | 100.00 | 7,097,325 | 100.00 | 5,750,000 | −26.7 | −9.6 |
| All other | 2,582,215 | 100.00 | 3,568,061 | 100.00 | 2,500,000 | −27.6 | +3.3 |

Source: BDSA and AISI

Mr. GIBBONS (presiding). Without objection, the appendix to your statement has been included in the record at the conclusion of your formal statement.

Mr. STINSON. Thank you.

Mr. GIBBONS. Are there any questions?

Mr. Vanik.

Mr. VANIK. I would like to ask, Mr. Stinson, how much could you reduce the price of steel and make it more competitive if we were able to reduce defense spending and probably reduce your tax burdens by perhaps 25 percent, if that were possible?

Mr. STINSON. Congressman, we have to regard the income tax and sales in general as one of our costs. There is no question that if the tax burden on us were reduced, it would substantially enhance our profitability.

I wouldn't be able to put a figure on that, sir, however.

Mr. VANIK. We have, for example, imports from Japan and West Germany, and we spend probably $6 billion a year to maintain 300,000 people in Western Europe at the cost of about $25,000 a man. You have probably 200,000 in Japan and Okinawa carrying on a defense burden that should be carried on by our competitors.

If both of these countries had to carry their proper cost of defense burden, it would probably raise the cost of their product, wouldn't it?

Mr. STINSON. No doubt, sir.

Mr. VANIK. By the same rule, if we are able to reduce our expenditure in behalf of their defense, it would reduce the cost of our product.

Mr. STINSON. The two would certainly move together. To the extent that the level of taxation abroad is less than it is in this country—and it is often a great deal less than it is in the United States—the raising of the level of taxation abroad to support the type of thing you are speaking of would necessarily reduce the difference in the cost of producing steel and all goods abroad as compared with the cost of producing such goods in the United States.

Mr. VANIK. Did I read your statement accurately when you pointed out some deficiencies in the present agreement? Do you seek that it be extended?

Mr. STINSON. The present agreement, sir, is not an agreement at all. I will correct myself. It is simply a voluntary arrangement offered by the foreign producers, the individual companies, to the U.S. Government, specifically through the State Department.

The State Department has, at times, informed us of their negotiations. They have requested information from us so we are somewhat up to date and kept up to date as we go forward with their views about this arrangement.

For that reason, we have offered to them some suggestions as to how the arrangement is working and how it should be strengthened.

The deficiencies that we have in mind are these: In the first place, it provides for a 5-percent increase per year in the amount of steel which is allowed to come in. This was on the basis of a growth rate in this market of about 5 percent, estimated. This was never our estimate. We knew it was too high. It has proved to be too high. The five percent should be more like 2 percent or at most 2½ percent. That we would urge as one correction.

A second change should be an extension in the time. It is a 3-year program which will end in 1972, the beginning of 1972. It is apparent that this is far too short a span for any type of planning in the domestic industry for the investment of funds and the building of new facilities. It takes a much longer time cycle than 3 years.

We have suggested that it should be extended and it should be extended promptly in order to give the assurance that it isn't going to terminate at the end of the 3-year period.

We have also asked that it be strengthened, as I suggested in my statement, to make a firmer commitment as to product mix and as to geographic distribution in the United States.

There is one other element I would like to mention. That is that the arrangement covers only Japan and the European steel producers. It does not cover the British Isles or Canada or any part of the British Commonwealth, nor does it cover Austria or Sweden, and numerous other countries that are shipping steel into the United States today.

Mr. VANIK. Has the volume of these countries increased substantially?

Mr. STINSON. Yes, it has, sir.

Mr. VANIK. To what extent?

Mr. STINSON. Particularly in the specialty steel. In the specialty steels the figures I have given to you reflect a very major increase on the part of shipments from Sweden, from Austria and from Canada, particularly, of specialty steels.

Mr. VANIK. Let me ask you this: Has the steel industry in this country just about carried through its tremendous conversion program to the oxygen furnace that was started about 10 or 15 years ago?

Mr. STINSON. The conversion to the oxygen process of making steel is still going on. There will be a number of new facilities come in this year and more to come in next year.

However, that is not the only part of our process that we have been converting over to new and more advanced technology. We have a constant program and a great deal more is to be done, a great deal more money must be spent in the next 10 years on a continuing basis to continue to adopt and apply the new technology as it develops.

The direct reduction process, for instance, is certainly one of the things that is uppermost in our mind. This goes along also with continuous casting which is another technology that is coming rapidly.

Mr. VANIK. The voluntary agreements expires in 1972. For how long a period do you think they ought to be extended?

Mr. STINSON. If it were extended at this time, and I mean here in mid-1970, an extension of 2 years beyond the end of the 3-year period would be very helpful.

Mr. VANIK. To the end of 1974 or to the beginning of 1974?

Mr. STINSON. To the beginning of 1974.

Mr. VANIK. Thank you, Mr. Chairman.

Mr. GIBBONS. Are there any further questions?

Mr. Stinson, where does your company rank as far as size in the steel industry? I guess United States Steel is the largest domestic company.

Mr. STINSON. United States Steel is the largest, Bethlehem is next, Republic is next and we are the fourth in the United States.

Mr. GIBBONS. Can you give me your total sales for the last 3 years?

Mr. STINSON. Yes, sir; I can. Our total sales in 1969 amounted to $1,225,052,212; in 1968, $1,139,144,133; and in 1967, $1,017,558,023.

Mr. GIBBONS. Have you been losing money during that time or have you been making money?

Mr. STINSON. We have made money in each of the 3 years yes, sir. I am sorry to have to report that the return, the percentage of sales dollars that we have carried down to net profit, has been declining each year from the previous year in those 3 years. In 1969 our net income as a percent of sales equalled 6.4 percent, which was down from the 6.6 percent reported in 1968, which year was also below the 6.8 percent reported in 1967.

Mr. GIBBONS. How about as a percent of your invested capital?

Mr. STINSON. That also has been declining. Our percent of net earnings on total invested capital for 1969 was 7.2 percent; for 1968, 8.2 percent; and for 1967, 7.7 percent.

Mr. GIBBONS. I don't imagine you have these figures right at hand, but if you would, I wish you would send them in and we can insert them at this point in the record.

Can you give us your net profits before taxes for the last 3 years? If you don't have them, you can mail them in.

Mr. STINSON. I would be glad to give them to you. Our profits before Federal income tax for 1969 amounted to $140,114,611 and after taxes amounted to $78,014,611. In 1968 the before tax profit amounted to $128,538,553, and after taxes was $75,638,553. In 1967 our before tax profit amounted to $104,850,568, and after taxes was $69,550,568.

Mr. GIBBONS. Is that before or after taxes?

Mr. STINSON. That is after taxes.

In the previous year, they were $68 million, or thereabouts. I would like to correct these figures.

Mr. GIBBONS. Certainly.

Mr. STINSON. In the previous year they were $72 million.

Mr. GIBBONS. Are there any other questions?

If not, thank you, sir.

Mr. STINSON. Thank you very much.

(The following statement was received for the record:)

STATEMENT OF TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE

The Tool and Stainless Steel Industry Committee (TSSIC) is an association of fifteen producers of specialty steel. We attach a list of our membership as an exhibit to this statement. Our industry supports and endorses wholeheartedly the statement presented today by George A. Stinson for the American Iron and Steel Institute. The specialty steel industry, however, has a continuing and particularly severe import problem upon which we wish to focus the attention of the Committee.

Attached to Mr. Stinson's testimony is an Appendix entitled "The Specialty Steel Import Problem." A brief inspection of this appendix will indicate why domestic producers of tool and stainless steel are acutely concerned about imports. Clearly the Voluntary Restraint Program has not been effective in providing import relief for specialty producers. This program has contributed to an overall reduction of 22 percent in total U.S. imports of steel mill products in 1969 as compared with 1968. However, the Voluntary Restraint Program has not reduced imports of specialty steel mill products. Last year the volume of total specialty steel imports was the highest level on record and represented a gain of 7 percent over 1968. Import figures for the first quarter of 1970 indicate more substantial increases in specialty steel imports this year, as shown in Table 1 attached hereto.

Even making allowance for the distortion in statistics resulting from the dock strike in the early part of 1969, tool steel imports for the first quarter of 1970 show an increase of 65 percent in quantity and an increase of 7 percent in average unit value over the same period last year. In stainless steel, there has been an increase in the volume of imports of 12.9 percent, while average unit value climbed 20 percent.

When the Voluntary Restraint Program was announced both the Japanese and the ECSC steel producers stated that they would limit their exports to the U.S. to a total of 11,500,000 tons. It was also stated that the foreign producers would try to maintain approximately the same product mix and geographic distribution pattern. It was and is obvious that foreign steel producers have taken advantage of this rather vague undertaking to increase shipments of specialty steel to the U.S. while holding back on some of the large carbon steel tonnage items. In this effort to maximize the value of exports to the U.S. while minimizing the volume of total U.S. imports of steel mills products the overseas steel producers have been conspicuously successful. To the casual eye, steel imports are down, the steel industry's problems are solved.

TSSIC respectfully represents that this conclusion is entirely false and misleading. Specialty steels require specialized materials, equipment, technology and know-how. They are designed, produced, sold and consumed in a specialized manner. The specialty steel industry is a distinct part of the total steel industry in the United States. Many specialty producers do not make any carbon steel. The reduction in the quantity of carbon steel imports brought into the United States does not relieve the producer of specialty steel who sees the continued loss of domestic markets to ever increasing imports.

In this situation it is absolutely imperative that consideration be given to seeking an effective solution to the specialty steel import problems.

In his statement, Mr. Stinson has touched on this failure of the Voluntary Restraint Program in regard to tool and stainless imports and the necessity for firm commitments from exporting nations on product mix and geographic distribution. TSSIC strongly supports this view. Without such commitments the Voluntary Restraint Program will actually encourage the upgrading and concentration on specialty items that has already begun.

We have serious reservations, however, about the prospects for such commitments, or their effectiveness if given. Our industry is important to the U.S. economy and security. Our import problem is serious. We doubt the wisdom of leaving the solution to such a problem in the hands of other nations, however well intentioned.

TSSIC remains persuaded that a legislative solution to the steel import problem is necessary. We ask for favorable action on H.R. 3.

THE TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE

*Membership*

Allegheny Ludlum Steel Corporation, 2000 Oliver Building, Pittsburgh, Pennsylvania
Armco Steel Corporation, Armco Division, Middltown, Ohio
Bethlehem Steel Corporation, Bethlehem, Pennsylvania
Braeburn Alloy Steel Division, Continental Copper & Steel Industries, Inc., Braeburn, Pennsylvania.
Carpenter Technology Corporation, P.O. Box 662, Reading, Pennsylvania
Jessop Steel Company, Washington, Pennsylvania
Jones & Laughlin Steel Corporation, Three Gateway Centers, Pittsburgh, Pennsylvania
Joslyn Stainless Steels, 155 North Wacker Drive, Chicago, Illinois
Latrobe Steel Company, Latrobe, Pennsylvania
Republic Steel Corporation, Massillon, Ohio
Simonds Steel Division, Wallace-Murray Corporation, Ohio Street, Lockport, New York
The Universal-Cyclops Specialty Steel Division, Cyclops Building, 650 Washington Road, Pittsburgh, Pennsylvania
VASCO–A Teledyne Company, Latrobe, Pennsylvania
Washington Steel Corporation, Washington, Pennsylvania

U.S. IMPORTS OF SPECIALTY AND TOTAL STEEL MILL PRODUCTS

| | 3 months | | | 12 months | | | |
|---|---|---|---|---|---|---|---|
| | 1968 | 1969 | 1970 | 1968 | Actual, 1969 | Voluntary, 1969 | Projected, 1970 |
| Tool steel | 4,595 | 2,247 | 4,508 | 13,106 | 15,253 | 9,511 | [1] 18,000 |
| Per pound | | $0.43 | $0.50 | $0.41 | | | [2] 30,500 |
| Stainless steel | 36,543 | 39,319 | 50,544 | 172,168 | 182,224 | 130,296 | [1] 202,000 |
| Per pound | | $0.32 | $0.40 | $0.36 | | | [2] 233,800 |
| Total steel mill products | 3,516,411 | 1,953,235 | 2,336,975 | 17,959,312 | 14,034,287 | 13,999,550 | [1] 9,200,000 |
| Per pound | | $0.064 | $0.085 | $0.055 | | | [2] 16,950,000 |

[1] 4 times 1st quarter.
[2] Annualized.

Source: BDSA and AISI.

Mr. GIBBONS. Our next witness is Mr. I. W. Abel, president, Industrial Union Department, AFL–CIO.

## STATEMENT OF JACOB CLAYMAN, ADMINISTRATIVE DIRECTOR, INDUSTRIAL UNION DEPARTMENT (AFL-CIO), PRESENTING STATEMENT OF I. W. ABEL, PRESIDENT; ACCOMPANIED BY PHILIP DAUGHERTY, LEGISLATIVE REPRESENTATIVE; AND GEORGE COLLINS, INTERNATIONAL UNION OF RADIO AND MACHINE WORKERS OF AMERICA

Mr. CLAYMAN. Thank you, Mr. Chairman and members of the committee.

Mr. Abel has startling gray hair with a strong rugged face.

Mr. GIBBONS. Would you identify yourself, please, for the chairman?

Mr. CLAYMAN. Mr. Abel can't be here, unfortunately. Developments over the weekend made it impossible for him to be here. He has asked me to present his statement for the record.

Mr. GIBBONS. We are limiting all the witnesses for the first part of the morning to 20 minutes.

Mr. CLAYMAN. I shall try to abide. I will abide by your suggestion.

My name is Jacob Clayman. I am the administrative director of the industrial union department. On my right is Phil Daugherty of the industrial union department, and on my left is Mr. George Collins, who represents the International Union of Radio and Machine Workers of America.

We represent about 59 international unions, with a membership roughly in excess of 6 million.

We are here today because many of our members have already been hurt by imports, and many more live in apprehension, with the fear that in the not too distant future they too will be elbowed out of a job by the growing flood of foreign imports. We are here to voice these deep-rooted concerns.

The world has changed. Conditions have changed. Some of these changes have been underway since World War II. Other changes have been more recent. Let us examine some of those changes which have given rise to the concerns which have brought us together here today.

First, there has been a dramatic revival of the war-devastated economies, a revival which we helped. Japan is a most remarkable example of this recovery. Japan now has the second largest gross national product in the world, second only to the United States. The Japanese expect—in 5 years—to be producing more steel than the United States. In fact, a merger of two Japanese steel companies—became effective March 31—resulted in the creation of a new "number two" steel producer in the world (Nippon Steel Corp.), right behind United States Steel.

I say that is not only a remarkable recovery but it is a remarkable rejuvenation. Germany also has enjoyed a similar recovery and rejuvenation.

Also, the economies of the world's nations have changed. It is not an "Adam Smith" world. There is no free enterprise competition. National economies are now managed economies. They are managed in different degrees but they are managed, and each has its own devices for its own advantage. One advantage, for example, is the barring of imports. The Japanese do it to the greatest extent, including the establishment of more than 100 quotas.

Another change is that technology has become international. It has become international because of improved communications and a sharp rise in United States investment in foreign countries—investment not only of money but of American technology.

As I just mentioned, a significant factor in the changing world picture is the amount of American investment overseas. The assets of foreign subsidiaries of American businesses now come to more than $100 billion. Some of the production of these subsidiaries is for export to the United States and some of the production competes with U.S. goods in third-market areas.

Another startling new phenomenon on the world scene is the multinational corporation. Most of the big multinational corporations are based in the United States. These corporations have plants, offices, sales agencies, and other facilities in numerous countries. And they have been a key factor in affecting the United States position in world trade.

A multinational corporation can produce components in widely separated plants in Korea, Formosa, and the United States, assemble the product in a plant on the Mexican side of the border and sell the goods in the United States—perhaps with the United States brand name. A large percentage of U.S. exports and imports are now transactions within these corporations, transactions which the corporations make, of course, for their own advantage. There can be no doubt that such corporations are sending a large volume of goods back for sale in the United States—and some of this displaces American workers. Patriotism or concern for American workers seldom interferes with the chance to make a few bucks. It might be one of the understatements of the year but the labor movement does not believe that all decisions of industry are necessarily in the best interests of the Nation and the American people.

The growth of the international firms has created a kind of "third world." In this third world these firms are so influential that they seem to be above governments. They are concerned only with their profit ledgers, and if their actions conflict with the interest of nations, so be it. For example, United States Steel recently bought 27-percent interest in a French mill which will produce ferromanganese for sale in the United States. United States Steel also has one-quarter interest in Spain's top steel producer.

As Fortune magazine has pointed out, these multinational firms like to buy cheap and sell dear—producing where costs are lowest and selling where prices are highest. The operations of American firms on the Mexican side of the border are another example of the problem of the multinational corporation. According to Industry Week magazine of February 16, there were nearly 200 of these plants on the Mexican side of the border by the end of last year—compared with 125 in 1968. That is a growth of 75 in the course of 1 single year. They take advantage of Mexican law for its border area, U.S. tariff regulations and low-wage Mexican labor, then ship the goods back to the United States and sell them at U.S. prices.

So, if the American consumer thinks he is being allowed to benefit from such operations through lower prices, he just doesn't know how these people operate. To expect these firms to cut their consumers in on what they feel is a good deal, is about as naive as Chase Manhattan hiring "Bonnie and Clyde" as bank guards.

To put it bluntly, these American corporations which use components and complete units made overseas—at sweatshop wages—and sold here with no reduction in price—commit a kind of fraud against the American consumer.

In some circles efforts are made to perpetuate the myth that American consumers benefit from such arrangements. But the truth is that, in most cases, American consumers pay American prices.

Summing up, then, the changes which have made world trade a new ballgame are primarily the following: The remarkable revival of war-devastated economies; the management of national economies for their own advantages; the fact that technology has become international; the sharp increase in United States investment abroad; and the third world of the multinational corporations.

While these changes have been occurring, the overall United States position in foreign trade has deteriorated, and world trade has expanded very much. The result has been a narrowing surplus of exports over imports—down to just over $1 billion in 1969. Just 12 years earlier, our total exports showed a surplus of close to $5 billion over imports.

So, there is no doubt that the world marketing situation has changed—that the import-export situation of the United States has changed—and that the position of the labor movement on foreign trade has required a new look.

Anyone who attended our last IUD Convention in September 1969 and listened to the discussion on our resolution on foreign trade, would not only know the reason for our concern but he would be hard put to ignore that concern.

Delegate after delegate at our convention arose to describe the impact of these new world trade conditions upon his members. The product problem areas ranged far and wide and included electronics, steel, shoes, glass, pottery, meat processing, maritime, as well as shirts and pianos.

In the textile industry, for example, we learned that imports more than doubled between 1964 and 1968. Today, the textile industry is up against the wall because of imports. The glass workers, too, are seriously concerned about imports. In one Pennsylvania county alone, imports have caused the loss of 1,500 jobs in the county's glass industry. In the electronics field, imports double last year. Out of Hong Kong's 24 electronics factories, 12 are wholly-owned subsidiaries of American companies, and they produce components almost exclusively for their parent American firms. Why Hong Kong? Two recent newspaper stories gave the reason very well. The Hong Kong Star of last September 29—in a story on U.S. investment in Hong Kong—contained the following paragraph, and I quote:

> It is no secret that the Americans were attracted to Hong Kong because of the cheap labor and the fact that our keen-eyed girls were more easily trained and gave better production figures than their American counterparts.

Well, I don't know anything about those so-called keen-eyed Hong Kong maidens but I do know about the cheap labor, as reported in the following item from the New York Daily News of last November 11—datelined Hong Kong:

> Police raided sweatshop factories today and found 1,400 underaged children employed as cheap labor. The British colony is trying to erase the image of cheap

labor, and legislation has been introduced to curb the more glaring instances of it. But in this "free-for-all" industrial community, cheap labor has been a major attraction to foreign investors, especially garment and electronic manufacturers.

Also in the electronics field, as a spokesman for the IUE told our IUD Convention, some 60 percent of black and white TV sets, and 17 percent of the color TV sets last year were made in foreign countries, and that virtually all transistors are now made overseas. The IUE delegate also related a rather ironic note on foreign-made TV sets: He told about the Japanese firm that was building TV sets for Westinghouse, which suddenly notified Westinghouse it no longer was going to build the sets for Westinghouse. Why? Because now that it had the know-how, it was going to build them for itself.

The shoe workers, like the textile workers, are living in a nightmare of an increasing flood of imports that is washing out factories and jobs. Since 1955, the number of foreign-made shoes imported annually has increased from 8 million to 200 million pairs. The shoe workers estimate that the 200 million pairs of shoes imported in 1969 were equivalent to the exportation and the loss of 65,000 job opportunities. Prospects are, that by 1975, foreign-made shoes will account for one-half of the American market. There were 23 footwear plants in Haverhill, Mass., 10 years ago, and now there are only seven left, and two of the seven are going out of business.

An officer of the Potters Union told us in convention last fall that they lost 15,000 to 20,000 jobs in the last 20 years because of imports. And so it went, with speaker after speaker, from union after union. The inescapable conclusion was that people—our members—have been hurt, and are being hurt, under the present ground rules of international trade.

We believe the country should know that it is time to take a look at the serious side effects of foreign trade. As Senator Muskie put it in a speech on the Senate floor about a year ago—the question is whether "the American people ought to be concerned as to whether or not unfair competition from imported goods in our markets threatens the existence and survival of American industry."

Some will make the charge that we are putting on the cloak of protectionism. Those who do so fail to recognize that old concepts and labels of "free trade" and "protectionism" have become obsolete. They have been outdated in this new world of managed national economics, international technocracy, multinational corporations and record U.S. investment overseas.

I would also say to those who charge us with seizing the banner of protectionism: we still believe in a healthy expansion of trade with other nations. But our support for the balanced expansion of trade does not mean we believe in the promotion of private greed at public expense. It does not mean that such expansion of trade should undercut unfairly the wages and working standards of Americans. On the contrary, we maintain that expanded trade can mean expanded employment—here at home and in the nations we trade with.

Perhaps the new concept, or more desirable objective in international trade, should be "fair trade." Not only has the world situation changed, but as I have indicated, the rules of the trading game as now constituted are rigged against us.

I think it is time we stated quite frankly and briefly that we should

stop being the only "good guys" in international trade. I think it is time we emphasized the point that international trade is a two-way street. I think we should say—as Senator McIntyre told the Senate recently—"It is time we realized that the United States cannot be the world's consumer anymore than we can go being the world's policeman."

It is time for us to also say to other nations that we are willing to share our bread with you but we cannot let you have the whole loaf.

That international trade is a two-way street is a truism which has long been neglected. The very countries, like Japan, which most strongly criticize our movement toward import restrictions, themselves are among the most protectionist in the world. That is, we open our markets to them, while they close their markets to us.

This kind of one-way street situation is obviously intolerable and we ought to appeal for its immediate correction. There can be exceptions to such a demand for equal treatment, as in the case of developing countries, but certainly not in the case of highly industrialized countries. In short, what we want is a fair shake.

Other ways in which the rules are set to work against the United States include the erection of nontariff barriers against U.S. products, tax concessions granted foreign subsidiaries of American companies, and lower foreign labor standards.

The nontariff barriers that confront American steel producers include border taxes, import licensing, quotas, surcharges in addition to tariff rates, national preference laws and foreign exchange controls. I think our goal should be that it shouldn't cost any more and shouldn't be any more difficult to ship a given product to any country and offer it for sale there than for that country to ship the same product to the United States and offer it for sale here.

The tax treatment of foreign subsidiaries of American companies must be changed to discourage the flow of American capital and the exportation of jobs overseas. Under the present law, no taxes are levied by our Government as long as the profits of the subsidiaries remain abroad. This amounts to encouragement by our Government for American companies to expand abroad at the expense of their domestic operations.

As for foreign labor standards, foreign producers in the past have claimed that they have had to pay lower wages because their productivity was lower. It would follow then that as productivity increased, wages would increase. But this has not always happened. In many cases, the opposite has happened. In Japan, the steel mills with the highest productivity pay the lowest wages. This is because the Japanese steel industry has a wage scale based mostly upon age and seniority and because Japan's newest, most productive steel mills have been staffed mostly with workers just out of school. The workers with the most seniority have been kept in the older, less productive mills. The result is that the wages in the new, most efficient operations are lower than the wages in the older, less productive plants. Obviously, this is unfair.

President Nixon, in his trade message to Congress last November, called for changes to make it easier for industries to qualify for relief under the escape clause and for workers to qualify for adjustment assistance. This is encouraging and welcome action by the President,

but I hasten to add that this kind of help to affected workers is not the solution.

It is not the solution anymore than unemployment compensation is a solution for unemployment; it helps but it is not the full answer.

Here are a few suggestions:

1. Industries, large and small, which have been seriously hurt by unrestricted tides of foreign imports include: textiles, including man-made fibers and rugs; autos; radios, TV's, and other consumer electronic products; shoes; sheet glass; furniutre; pianos; apparel; ceramics; stainless steel flatware, and so forth. The list is by no means complete, and it is growing.

We, in the IUD, believe these industries to be of basic importance to the American economy. We believe our more seriously affected industries must be assured of at least a modest share in the total economy's growth.

This means that future import increases in such industries must be regulated and that their import growth, whether from foreign firms or from U.S.-owned offshore production facilities, must be proportionate to the total growth of the domestic market. National policies to promote an orderly expansion of world trade must ensure that domestic sources of production, and the workers they employ, share equitably in such expansion. The further loss or serious contraction of domestic sources of production in such industries, particularly when accompanied by a rise in domestic demand for their products is by no means beneficial to our economy, quite the reverse, and will only serve to create massive pressures for far more stringent, across-the-board import restrictions.

Sound policy also means we must adopt measures to limit and tax the export of capital which finances the establishment, acquisition or expansion of U.S.-owned manufacturing facilities abroad.

2. Truth-in-import labeling legislation to identify the manufacturer and nation of origin of all imported products would serve an important purpose.

3. It is important that there be a clearly defined international crash program to quickly raise substandard wage levels to acceptable minimums, together with a longer range program to raise such wages closer to our own domestic legal minimums within prescribed periods of time. There is a clear need for the creation of international fair labor standards, and the U.S. Government should take aggressive leadership in such efforts.

4. Public ownership of all patent developed on public programs and/or with public funds would be a useful tool in stemming overly hasty outflow of American technology.

5. The elimination of special "value added" tariffs permitted under items 806.30 and 807.00 of the Tariff Schedules of the United States is an imperative.

6. There should be more effective adjustment assistance for all workers displaced by a rise in imports, where it is a major or significantly contributing cause of such displacement.

7. Finally, we propose the establishment of a Department of Foreign Trade, with Cabinet status, and with an advisory committee on which labor and consumer groups are represented,

within the executive branch of our Government. There are too many agencies concerned with foreign trade, so that, currently, functions and responsibilities are too widely dispersed. There is too much confusion, inept performance, bureaucratic jurisdictional rivalry, buckpassing, and so forth—all of which is detrimental to our national interest.

In addition to policies and programs that discriminate against our exports, some of our competitors, like Japan, provide centralized management and close assistance to their exporting industries.

The proposed Department of Foreign Trade should be assigned responsibility for all problems and matters associated with foreign trade. Its functions should include: statistics gathering; trade negotiations; arranging for credit assistance as well as providing marketing and other assistance to export-promising industries; assistance and relief, when and as needed, to import-damaged industries: trade promotion; regulation and review of the international trade and marketing operations of multinational corporations; and adjustment assistance to import-displaced workers.

The Department of Foreign Trade should be required to submit to Congress, on behalf of the President, an annual report of its activities. The report should place special emphasis on developments in import-distressed industries.

Traditionally, foreign trade has been viewed in our country as a pure business and financial concern. From time to time the politics of international relations have been an added consideration.

It is our conviction that the time has come to involve another ingredient: the American worker—his job, his livelihood, his security, his future, his life.

In this spirit we offer this testimony.

Thank you, Mr. Chairman, for the courtesy of permitting us to appear.

Mr. GIBBONS. Thank you for some very interesting and stimulating testimony.

Mr. Ullman.

Mr. ULLMAN. Mr. Clayman, I want to commend you for what I think is a very significant analysis of our trade problems.

I think you did an excellent job in summing up the problem and presenting recommendations.

You pointed out that almost without exception we have managed economies around the world. This brings us into direct contradiction with the purpose of the reciprocal trade bill, which was to break down all trade barriers and, presumably, make the world one market where trade could flow across borders.

Do you think that with the developments since World War II we are moving closer toward that concept of one world market, or do you think that with the rise of new types of managed economies we are getting further away from that concept?

Mr. CLAYMAN. I think it is obvious, Congressman, that we are moving away from the old, traditional concepts of so-called free trade.

The likelihood is that we in this country have moved away from that with far less speed than our conferes around the world.

When you look at a country like Japan, where there is a considerable degree of management of international trade, it seems to me that this is

reasonably close to the growing reality, and that we in this country, while I assume theoretically we might make a case, ideologically, to return to a different kind of a trade world, must know the reality now is managed economy.

We have to adjust ourselves, so we believe, to the realities of that fact. That is why American labor seems to be changing its view. Most of us at my age level were raised in the free trade philosophy. But it is no longer free trade around the world.

We have another cliche we are using, but it is meaningful. Instead of looking to the notion of free trade, we have to look to the notion of fair trade. It is no easy job to develop this idea, and we are terribly aware of it, throughout the world.

Mr. ULLMAN. I appreciate that response, but I am not sure, without articulating at great depth, what we could mean by fair trade. We are still operating under this banner of reciprocal trade.

The whole GATT concept is based upon opening up all the world's markets, breaking down all the barriers. We are still after the Holy Grail. But at same point we have to face up to the reality of where we are in the world and what is happening in the world.

We are living in a world of managed economies. When you manage an economy, you manage your trade, too. I remember back when we considered the trade bill in 1962. At that time we were greatly disturbed by nontariff barriers. At that time it wasn't quite as evident what was happening in the world.

I think it is much more evident today that we actually aren't on the path toward opening up the world markets. The world is moving in the other direction, of managed economies and managed trade.

As you pointed out, and others, the Japanese economy is a managed economy and they are managing their trade more than anybody else. Their markets are not open to the world.

Certainly the Common Market has some indications in it that they, too, are going to set up barriers and, in essence, manage that economy for their purposes. We don't know the answers.

We appreciate your listing a number of recommendations which I think are such as to be very helpful.

I am thinking out loud as to whether we might even move in the direction of country-by-country reciprocal trade. I recognize that our whole GATT concept doesn't allow this.

What I am basically doing is analyzing the GATT philosophy to see whether we in fact, in this kind of world, can continue to follow that banner.

What do you think the future of GATT is? Does it give us the cover that we need to solve these particular problems?

Mr. CLAYMAN. I think we are moving away, as you have indicated. I would accept your answer to your question. We are moving away from that concept. I suspect we won't quickly throw it over our shoulder.

I suppose, Congressman, if I could sum up in a quick minute, what is at the heart of the trade union thinking at the moment. I would say as follows: We had a conference earlier in the year on this issue, and there was a fiery response from delegate after delegate, because either some of them lost their jobs or they are fearful that tomorrow they will lose their jobs. It is as close to home as that.

And yet, this is a new concept for us in the labor movement. As I have indicated, in the past we were more closely allied to the so-called free trade concept, whatever that meant, with some exceptions, and the meaning changed from year to year.

We are not 100 percent certain of the full implications of our concerns now. We are not 100 percent certain about every single item of action for the future.

The remedies we have suggested seem to us to be the relatively safe ones. They seem to represent the middle road. We are groping for more complete answers ourselves.

We hope to come up with more adequate answers as time evolves. But the actions we suggest, as I indicated to you, are the middle-of-the-road ones which don't try to return—indeed, we can't—to the days of William McKinley and his protectionism, nor can we accept any longer, because of the changing world, the notions that we entertained as early as 10 years ago, as recently as 10 years ago, in terms of international trade.

So we are changing rapidly in our point of view. As a matter of fact, just in the last 2 years has our thinking undergone change. Our own thinking is evolving. If I am hesitating in giving you precise language, it is because our own thinking hasn't crystalized that clearly.

But, the suggestions we have made in this statement to us seem to be precise enough and safe enough, and middle-of-the-road enough, to start the process of serious restructuring of our trade ideas.

Mr. ULLMAN. I would hate to think that we were just becoming protectionists again because we were falling behind in competitiveness around the world, or that we were trying to protect too plush a labor situation here in this country, or too plush management, or too plush anything.

One of the reasons we need world competition is to keep our industry and our work force on the ball. If we built walls around this country, I think the tendency would be to become stultified. We would lose a lot of our dynamic.

On the other hand, we have to be realistic about what is going on. In 1962 when we considered this matter, nontariff barriers, although important, were not the biggest item.

It seems to me now nontariff barriers are the big thing. They are the most important part of trade. Certainly when we are trading with Japan, tariff barriers are an insignificant thing.

With Japan and the Common Market countries, the nontariff barriers are the controlling factor.

I am groping, too. I think we need to do some real original thinking. I am at the point now where I think we should call a new international conference on trade, to reconsider the whole base of assumption that went into the General Agreement on Tariffs and Trade, to see whether really, in fact, the world is still striving for those objectives or whether, in fact, those objectives have been basically cast off by the leading nations of the world.

If we are in fact trying to live up to that GATT treaty, when in fact that is no longer the objective of the world nations, then certainly it becomes meaningless and it also becomes very harmful to our own Nation.

Mr. CLAYMAN. Mr. Congressman, if I may be permitted one quick

word in response, it doesn't take, in our judgment, much originality to come to the conclusion that it doesn't make sense to ordinary workers that American capital should export its capital basically earned in this country mostly from ordinary workers, along with American technology, which has been our principal stock in trade in the past, much of it created and developed by public funds, shipped abroad, so that exported American capital and American technology are made to compete with domestic American capital and domestic American technology, all to the detriment, as we see it, to the jobs of ordinary workers.

On issues of that sort, it doesn't require much imagination, at least from us. This is one issue which we think can be managed somehow, controlled, changed, by appropriate legislative action.

There are some other serious basic issues which I suspect most of us would find it difficult to come up with quick and effective answers.

Mr. ULLMAN. You have raised the issue of the multinational corporations. You are pointing out that American capital is going abroad, and not only going under the cover thereof, in most instances, of cheaper labor, but also taking advantage of the protectionist, nontariff devices they have in a lot of these foreign nations.

We need, certainly, in considering this issue, to look at that aspect of the problem.

Thank you very much for your contribution.

Mr. GIBBONS. Mr. Burke.

Mr. BURKE. I wish to compliment you for your statement today.

On page 10, on your recommendations, I think item No. 3 is really the part that we should level in on. That is to quickly raise substandard wage levels to acceptable minimums.

Years ago in this country, as a result of pirating industry out of certain areas of the country and transfering those industries down to low wage areas, the minimum wage law was enacted.

I can't for the life of me understand how we can have a minimum wage law here in this country and ignore the conditions of greed that are in existence today when American investors are investing in these countries, particularly Korea, Hong Kong and Taiwan, where the wages are down around 7 cents an hour.

I think that is where the administration has missed the point in its recommendations here. They are asking us to eliminate the American selling price, with the privilege of further lowering of tariffs.

They come in with a recommendation of giving the industry that goes out of business an aspirin, and also to pay the workers a few extra weeks of unemployment compensation.

I believe they recommend up to about 65 percent of the wage, and then at the end of the year that employee is going to be left on his own.

I think you have made some good recommendations here.

I was wondering how we could bring about the establishment of a minimum wage as far as our imports are concerned.

Would that be done with tariffs? How could we do it? Have you in mind that if goods came in from Korea, where they are paying 7 cents an hour, the tariffs on that country should be raised in order to bring the competition more in line with the American workman?

Mr. CLAYMAN. I think that would be one of the obvious devices, Congressman. It also means that our Government would bring the

full power of its influence in international affairs to work out treaties that might be accepted throughout the world.

I say this in a quick sentence. Obviously, it is a very protracted and difficult project, but we have a variety of United Nations treaties, some that have been accepted by many of the nations in the world, a few by the United States.

We are now concerned in the Senate with the treaty on genocide. It is entirely conceivable that given the full influence of American international policy one day maybe, through the United Nations or otherwise, or individual pacts, bilateral or multilateral, we can set up some standards together. It may be that through the ILO we can work out some kind of arrangements.

I suspect, as apparently you do, that there might have to be some muscle behind such an important request.

One of the suggestions could very well be the imposition of special tariffs based on whether the country in question does live up to some humane wage level standard.

Mr. BURKE. In other words, we could more or less encourage them to raise their standards, their working standards, by lowering the tariffs for them, and where they kept their wages at the low rate they have now we would keep those tariffs in effect until they showed some indication that they were raising their wage levels and working conditions.

Mr. CLAYMAN. It seems to me that would be an effective tool, along with all of the others, including the one I have suggested, the matter of basic negotiations between the countries in trying to raise the level of this problem in the United Nations, trying to raise the level of the problem by bilateral and multilateral treaties.

If we hit it on every front that is possible, conceivably over the course of time we can change some of the horrendous picture that you and all of us are aware of in other countries, 7 cents, 15 cents hourly wage, across the border, not terribly far from here, 30 cents an hour.

Obviously, American life or American economy cannot be sustained on that kind of competition.

Across the board in the main, the ordinary American consumer is not benefitted by the 7 cents, or 30 cents, or the 25 cents, wage levels elsewhere.

Mr. BURKE. It is quite apparent when you go into the stores today that a lot of these foreign goods have a tremendous markup, much more than the domestically made product.

What concerns me is the misinformation going out about what a tremendous export business we are doing. As I understand from the figures I have, our exports represent about 4 percent of our gross national product. Over 1½ percent is taken up in economic aid, military aid and other aid. So actually, what we are talking about in exports is about 2.5 percent of our gross national product.

Then we hear the people testify here that if we don't watch out, they are going to retaliate.

I was wondering how far they could retaliate. Would they cut down that 2.5 percent of the gross national product to 2 percent? How much effect would that have on our market here, on our work force, if those jobs came back to America that we are losing because of the accelerated imports.

I have in mind the shoe industry which, I believe, exported about $11 million last year, and the imbalance in imports is about $800 million.

In textiles, I believe they are up around 23 percent, the imports, of our domestic market, and growing.

They are taking over our glass industry. They are taking over the sporting goods industry.

Someone was talking about our national pastime, baseball. You can't find an American-made baseball glove today, a catcher's mitt or a first baseman's glove, or any of the fielders' gloves.

Do you think that our country is going to wind up being brokers, just a service organization, with nobody employed in any of these industries, but there would just be offices handling the business?

Mr. CLAYMAN. If trends continue as vigorously as they have in recent years and if we don't set up some barricade against further decline, we will have a very nervous and a somewhat chaotic labor market, meaning we will have a lot of American workers out of work.

In your part of the country you have already been hit by textile and shoe industry decline. These are among the most seriously debilitated industries. For practical purposes we don't have a shoe industry in the United States of America any longer.

Every time I meet the president of the Shoe Workers Union he tells me of a half dozen more factories which have closed down.

Mr. BURKE. Of course you know there are some people in this country who feel that the shoe industry is expendable, the textile industry is expendable, the glass industry is expendable, the electronics industry is expendable. I was wondering how many industries can be expendable and have the Nation survive.

Mr. COLLINS. Mr. Burke, that is quite so. There are many examples of this form of thinking that we are in such good circumstances that we can afford to see important segments of our economy transferred. Other nations, as we indicated earlier, do have their economy under some form of management and therapy in the circumstances where they have perhaps labor shortage rather than labor surplus figures.

Maybe in those countries they might think of a marginal industry as better off located elsewhere and they perform sophisticated higher technology functions. However, as you, coming from your section of the United States as you do, and having seen this process work, first flight to rural and underdeveloped areas of our own country and then overseas, we have and are confronted by the need to provide employment opportunities, industrial employment opportunities, for a large society that has a large labor surplus content.

We need these entry jobs into industries and these rapidly trainable type jobs for our people. We particularly need them I think for those disadvantaged sections of our society, in the ghettos and in the Latin American barrios. It is for this type of job that the person can be rapidly trained into and become part of the industrial mainstream that can be transferred and transported overseas to take advantage again only for that reason of the labor cost differential.

I think that we should halt this process and recognize that while many of our trading partners and other nations of the world have their problems and their social problems, that we are confronted particularly in this period by a social crisis that requires solution

through our participation in our industrial society and to eliminate these opportunities by letting them dribble away or flood or flow away in so many cases when we require them here I think is foolhardy, short sighted and in fact reckless and dangerous because we have seen examples of people being trained in these jobs in the electronics industry particularly, at the same time the same corporations that are taking government funds for training people in these opportunities are setting up operations overseas and have shortly the same people who are being trained into them are cruelly thrown back into unemployment and people cynically treated like that are liable to take matters in their own hands if not seriously considered as long range solutions to make sure that people have a chance and not be in effect jerked around.

Mr. BURKE. I want to thank you for your testimony. Do you think that we should give the negotiators, in view of their poor track record, another opportunity to go to work on American industry?

Mr. CLAYMAN. I think we ought to have at the very least a somewhat different attitude in Government. From everything I have been told we have been the soft touches, to use the phrase of the street, in the whole area of bargaining. We have been poor bargainers.

I don't know that it is a matter of the personnel that is involved but I suppose they have their basic direction.

Mr. BURKE. They have a giveaway attitude.

Mr. CLAYMAN. Well, we are poorer bargainers than most of the other foreign countries. I am not prepared to say that it is a matter of the individuals involved but rather the directives, the mandates apparently under which they operate.

Mr. BURKE. Do you think it is fair for us and the members of Congress to ask that we be informed about what they intend to do, what tariffs they expect to reduce, what items?

Do you think it is a fair question for the elected representatives of the people to know exactly what decisions these negotiations are going to make in the coming conferences that they have?

Do you think we should just give them a blank check to go ahead and give away some more and get nothing back?

Mr. CLAYMAN. I am inclined, because I have been unhappy about past results, to agree with you that not only should Congress know about the negotiations but the American people because finally they have the greatest stake of all.

Mr. BURKE. The GATT agreements were really a unique situation over there. The publicity in the American papers indicated that the GATT agreements had completely collapsed. Everybody had packed their bags and were on their way home, no agreements made.

Suddenly they get called together in the last 24 hours and in two hours they agreed on the reductions on 6,000 items. Some of the industries in America have found out about these during the last year or so because they are no longer in business.

I was wondering if we are going to have a replay of that same situation where publicity coming back here indicates that they are miles apart and suddenly somebody calls them together and they can agree on 6,000 items in a couple of hours?

Mr. CLAYMAN. Maybe they used computers, Congressman.

Mr. BURKE. I do not know what they used but it is kind of strange medicine that our traders are having, not having the success that the early Americans had on Manhattan.

Mr. COLLINS. You might call them hasty covenants rapidly arrived at if they can do that in 2 hours.

Mr. BURKE. Thank you.

Mr. GIBBONS. I wonder if we can get specific about the steel industry in Japan because that seems to be your greater concern right now. What is the rate of pay for the average steelworker in Japan?

Can you tell me?

Mr. CLAYMAN. I must dig down into my memory because I do not come directly from the steel industry.

Mr. BURKE. I believe testimony here has indicated it is under 60 cents an hour.

Mr. CLAYMAN. There are many strange variations in the Japanese wage structure. It is based on seniority, pension programs, early retirement. So their wages have to be viewed in toto in relation to the fringe benefits.

I am trying to bludgeon my memory and it is not too clear but it may be in the area of 60 cents. In steel in particular their most efficient plants which have the most modern American techniques, pay the lowest wages because they have the youngest workers. So, this compounds and confounds the competition we have with them.

Their least productive plants, their least economically viable plants have the highest wage levels because they have the most senior employees. So you get a strange variation there in Japan but with the central fact that the most competitive of their steel mills may pay the lowest wages. That is clear.

Mr. GIBBONS. Has the AFL-CIO ever done a study on this? Do you have anything in writing?

Mr. CLAYMAN. I am sure that we can present you with statistical data, Mr. Chairman, if you desire it. It is simply that my memory is too short for careful dredging up of the facts.

Mr. GIBBONS. Let me say I would personally like to have it. Let me examine it and if it is not too voluminous I would like to place it in the record at this point.

Mr. CLAYMAN. Very well, Mr. Chairman. We will make these statistics available. I am sure they are within reach.

Mr. GIBBONS. How about the Germans? They apparently are a highly competitive nation as far as steel is concerned. Have you done any studies on that? Can you give me any facts and figures on that?

Mr. CLAYMAN. Again, Mr. Chairman, in the interest of authenticity I would like to present those statistics to you.

Mr. GIBBONS. Fine, if you will just send them to me I will do the same with those if they are not too voluminous.

(The information requested follows:)

INDUSTRIAL UNION DEPARTMENT, AFL-CIO,
*Washington, D.C., June 29, 1970.*

Hon. WILBUR D. MILLS,
*Chairman, House Ways and Means Committee,*
*Washington, D.C.*

DEAR SIR: I. W. Abel, President of the Industrial Union Department, presented testimony before the Committee on Ways and Means of the House of Representatives on pending foreign trade proposals. This testimony was given on June 1, 1970. During the course of testimony Mr. Jacob Clayman, Administrative Director of IUD, who read Mr. Abel's statement, was asked to submit some additional information pertaining to the wages of steelworkers in Japan and West Germany.

The following is an answer to the inquiries made by Congressman Sam Gibbons of Florida:

(1) A survey of wages and working conditions of the International Metal Trades Federation—J.C. as of November, 1969 shows the highest steel mill wages in Japan are paid by the Yawata Steel Corporation, and the average monthly wage in that corporation is 78,082 yens. Translated into dollars this means $1.24 per hour.

(2) The European Economic Community reports on the steel industry, herein enclosed, show the January, 1970 average hourly earnings by German steelworkers to be 7,02 DMarks. Translated into American currency this means an average hourly rate for German steelworkers in the amount of $1.93.

(3) The enclosed U.S. Department of Labor Employment and Earnings report indicates the average hourly rate as of February, 1970 for American blast furnace and basic steel products workers to be $4.07 an hour.

In the case of the Japanese, German and American steelworkers, the hourly wages do not include fringe benefits. Fringe benefits are entirely too complicated for a comparison here but the basic hourly rate described in this letter essentially gives the true picture of the differences in labor rates between Japanese, German and American steelworkers.

I trust that this information will be helpful to you.

Sincerely,

JACOB CLAYMAN,
*Administrative Director.*

Enclosure.

## Annual Survey of Wages and Working Conditions of the IMF–JC Affiliates

(As of November 1969)

TABLE 1.—AVERAGE WAGES, WORKING HOURS, AGES, LENGTH OF SERVICES, NUMBER OF DEPENDANTS

| Unions | Membership | Actual working hours per month | | | Wage (Yen) | | | | | | | Average age | Average years of service | Average number of dependants | Ratio | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Regular hours | Overtime | Basic wage | Standard basic wage | Family allowances | Others | Total | Overtime pay | Total monthly wage | | | | Male | Female |
| ELECTRICAL ENGINEERING [1] | | | | | | | | | | | | | | | | |
| (As of September 1969) Denki Roren [2] | | | | | | | | | | | | | | | | |
| Large-sized companies: | | | | | | | | | | | | | | | | |
| Hitachi | 79,000 | | 176.00 | | | | | | 42,050 | | | 27.9 | 7.4 | 1.0 | 77.0 | 23.0 |
| Toshiba | 59,959 | | 172.00 | | | | | | 40,579 | | | 28.5 | 8.3 | .8 | 70.0 | 30.0 |
| Mitsubishi | 47,751 | | 170.00 | | | | | | 42,787 | | | 28.0 | 8.0 | .9 | 68.6 | 31.4 |
| Matsushita | 46,813 | | 170.00 | | | | | | 40,640 | | | 24.6 | 5.9 | .5 | 60.0 | 40.0 |
| Nichiden | 29,092 | | 179.00 | | | | | | 40,061 | | | 25.6 | 6.47 | .54 | 60.9 | 39.1 |
| Fujitsu | 21,450 | | 174.24 | | | | | | 39,600 | | | 25.1 | 5.10 | .53 | 59.8 | 40.2 |
| Fuji | 18,163 | | 176.00 | | | | | | 40,920 | | | 27.8 | 7.8 | .73 | 74.0 | 26.0 |
| Sanyo | 21,151 | | 170.00 | | | | | | 35,535 | | | 22.5 | 4.5 | .3 | 50.3 | 49.7 |
| Oki | 11,934 | | 176.00 | | | | | | 39,660 | | | 26.5 | 6.7 | .8 | 70.9 | 29.1 |
| Hayakawa | 15,259 | | 174.00 | | | | | | 34,762 | | | 22.4 | 3.7 | .45 | 62.0 | 38.0 |
| Meidensha | 5,410 | | 175.30 | | | | | | 45,417 | | | 31.3 | 10.1 | 1.2 | 79.2 | 20.8 |
| Columbia | 5,451 | | 172.00 | | | | | | 40,610 | | | 26.6 | 6.0 | .62 | 65.5 | 34.5 |
| Yasukawa | 5,253 | | 170.56 | | | | | | 42,812 | | | 29.7 | 9.2 | 1.08 | 77.9 | 22.1 |
| General | 5,114 | | 180.00 | | | | | | 38,418 | | | 26.9 | 6.5 | .7 | 77.4 | 22.6 |
| Medium and small-sized companies: | | | | | | | | | | | | | | | | |
| Nichimu | 3,004 | | 172.00 | | | | | | 41,664 | | | 27.8 | 7.5 | .7 | 81.4 | 18.6 |
| Iwatsu | 2,614 | | 172.40 | | | | | | 40,897 | | | 27.0 | 7.3 | .7 | 67.3 | 32.7 |

TABLE 1.—AVERAGE WAGES, WORKING HOURS, AGES, LENGTH OF SERVICES, NUMBER OF DEPENDANTS—Continued

| Unions | Membership | Actual working hours per month | | | Wage (Yen) | | | | | | | Average age | Average years of service | Average number of dependants | Ratio | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Regular hours | Overtime | Basic wage | Standard basic wage | Family allowances | Others | Total | Overtime pay | Total monthly wage | | | | Male | Female |
| IRON AND STEEL[1] (AS OF JUNE 1969) | | | | | | | | | | | | | | | | |
| Tekko Roren[2] | | | | | | | | | | | | | | | | |
| Large-sized companies: | | | | | | | | | | | | | | | | |
| Yawata | 41,651 | 175.4 | 160.40 | 15.0 | 30,826 | [3] 16,321<br>[4] 16,285 | 581 | 2,572 | 66,585 | 11,497 | 78,082 | 34.7 | 13.5 | 1.8 | 94.0 | 6.0 |
| Fuji | 32,082 | 179.0 | 158.10 | 20.9 | 29,674 | [3] 13,896<br>[4] 18,964 | 572 | 2,126 | 65,280 | 14,327 | 79,607 | 34.4 | 12.8 | 1.9 | 94.0 | 6.0 |
| Nippon Kokan | 28,521 | 205.0 | 170.30 | 34.7 | 26,827 | 13,089<br>[4] 15,786 | 799 | 1,805 | 58,306 | 20,261 | 78,567 | 34.0 | 11.7 | 1.5 | 93.0 | 7.0 |
| Sumitomo | 27,576 | 201.5 | 166.30 | 35.2 | 23,420 | [4] 25,528 | 767 | 1,755 | 51,470 | 17,122 | 68,592 | 30.5 | 8.3 | 1.4 | 95.0 | 5.0 |
| Kobe | 11,806 | 198.2 | 168.40 | 29.8 | 24,261 | 23,785 | 415 | 726 | 49,187 | 15,168 | 64,355 | 29.2 | 8.5 | 1.1 | 92.0 | 8.0 |
| Nisshin Seiko | 9,077 | 185.0 | 162.00 | 23.0 | 26,152 | [3] 12,076<br>[4] 11,047 | ---------- | 1,310 | 50,584 | 11,339 | 61,923 | 31.9 | 8.9 | 1.6 | 93.0 | 7.0 |
| Nakayama | 2,531 | 232.0 | 165.00 | 67.0 | 33,995 | [4] 13,525 | 1,314 | 4,540 | 53,374 | 28,950 | 82,324 | 33.7 | 11.7 | 1.5 | 93.0 | 7.0 |
| Daido | 4,256 | 211.0 | 161.60 | 49.4 | 34,296 | [3] 6,256<br>[4] 5,162 | 403 | 669 | 46,786 | 19,889 | 66,675 | 33.1 | 10.7 | 1.5 | 92.0 | 8.0 |

[1] By industries.
[2] By national federations.
[3] Job evaluation amount.
[4] Incentive amount.

SALAIRE HORAIRE MOYEN DANS L'INDUSTRIE SIDÉRURGIQUE AU SENS DU TRAITÉ (SALAIRE DIRECT) [1]

SALARIO ORARIO MEDIO NELL'INDUSTRIA SIDERURGICA AI SENSI DEL TRATTATO (SALARIO DIRETTO) [2]

DURCHSCHNITTLICHE BRUTTOSTUNDENLÖHNE IN DER EISEN- UND STAHLINDUSTRIE IN DER ABGRENZUNG DES VERTRAGES (DIREKTLOHN) [3]

GEMIDDELDE BRUTO-UURLONEN IN DE IJZER- EN STAALINDUSTRIE IN DE ZIN VAN HET VERDRAG (DIRECTE LONEN) [4]

| Zeit<br>Période<br>Periodo<br>Tijdvak | Deutschland (BR)<br>DM | France<br>Ffr. | Italia<br>Lit. | Nederland<br>Fl. | Belgique-België<br>Fb. | Luxembourg<br>Flbg. |
|---|---|---|---|---|---|---|
| 1963: | | | | | | |
| III | 4,14 | 3,48 | 441 | 3,16 | 48,10 | 55,98 |
| VI | 4,38 | 3,58 | 475 | 3,18 | 50,68 | 58,84 |
| IX | 4,29 | 3,62 | 469 | 3,20 | 50,59 | 59,37 |
| XI | 4,45 | 3,67 | 490 | 3,24 | 51,36 | 59,61 |
| 1964: | | | | | | |
| IV | 4,36 | 3,67 | 484 | 3,55 | 53,18 | 61,79 |
| X | 4,64 | 3,80 | 508 | 3,82 | 55,95 | 63,20 |
| 1965: | | | | | | |
| I | 4,77 | 3,91 | 545 | 4,01 | 58,31 | 67,60 |
| IV | 5,04 | 3,88 | 543 | 4,16 | 58,39 | 68,14 |
| X | 4,97 | 4,02 | 559 | 4,10 | 59,93 | 70,02 |
| 1966: | | | | | | |
| I | 4,96 | 4,07 | 575 | 4,32 | 61,98 | 71,06 |
| IV | 5,13 | 4,07 | 579 | 4,36 | 62,32 | 71,05 |
| X | 5,21 | 4,22 | 576 | 4,45 | 65,39 | 73,36 |
| 1967: | | | | | | |
| I | 5,17 | 4,26 | 609 | 4,77 | 64,94 | 72,93 |
| IV | 5,32 | 4,30 | 612 | 4,80 | 67,17 | 73,39 |
| X | 5,33 | 4,42 | 611 | 4,73 | 69,54 | 74,30 |
| 1968: | | | | | | |
| I | 5,39 | 4,47 | 626 | 5,09 | 70,13 | 78,40 |
| IV | 5,55 | 4,55 | 634 | 5,29 | 71,77 | 78,56 |
| X | 5,66 | 5,06 | 638 | 5,10 | 73,59 | 81,83 |
| 1969: | | | | | | |
| I | 5,78 | 5,09 | 672 | 5,64 | 74,14 | 83,52 |
| IV | 6,07 | 5,37 | 703 | 5,83 | 78,41 | 86,56 |
| X | 6,64 | 5,67 | 725 | 5,50 | 81,23 | 86,01 |
| 1970: I | 7,02 | ---------- | ---------- | ---------- | 82,58 | 97,74 |

[1] Salaire brut directement lié au travail effectif des ouvriers.
[2] Direkter Lohn, der in unmittelbarem Zusammenhang mit dem Arbeitseinsatz steht.
[3] Salario lordo direttamente dipendente dal lavoro effettuato dagli operai.
[4] Directe lonen, die onmiddellijk in verband staan met de effectieve werkprestatie der arbeiders.

NOTE: These are the average gross earnings of the steel industries of the different community countries, each given in the national currency. So, in the case of Germany (Deutschland) the first column, the earnings, are given in DMarks. A DMark, of course, is equal to 27.55¢ and the period is January of 1970.

IN THIS ISSUE 1969 UNEMPLOYMENT DATA FOR SELECTED AREAS (U.S. Department of Labor, Bureau of Labor Statistics)

ESTABLISHMENT DATA HOURS AND EARNINGS

TABLE C-2.—GROSS HOURS AND EARNINGS OF PRODUCTION OR NONSUPERVISORY WORKERS [1] ON PRIVATE NONAGRICULTURAL PAYROLLS, BY INDUSTRY

| SIC code | Industry | Average weekly earnings | | | | | Average hourly earnings | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | March 1970 | February 1970 | January 1970 | March 1969 | February 1969 | March 1970 | February 1970 | January 1970 | March 1969 | February 1969 |
| 33 | Primary metal industries | $157.08 | $157.08 | $159.42 | $155.82 | $153.14 | $3.85 | $3.85 | $3.86 | $3.71 | $3.69 |
| 331 | Blast furnace and basic steel products | (2) | 164.02 | 166.06 | 162.29 | 159.92 | (2) | 4.07 | 4.07 | 3.92 | 3.91 |
| 3312 | Blast furnaces and steel mills | | 166.03 | 168.09 | 164.79 | 162.38 | | 4.13 | 4.13 | 3.99 | 3.98 |
| 332 | Iron and steel foundries | 149.19 | 148.88 | 153.82 | 147.35 | 146.51 | 3.63 | 3.64 | 3.68 | 3.50 | 3.48 |
| 3321 | Gray iron foundries | | 145.04 | 152.21 | 145.95 | 146.72 | | 3.59 | 3.65 | 3.50 | 3.51 |
| 3322 | Malleable iron foundries | | 166.00 | 168.08 | 152.46 | 148.68 | | 4.15 | 4.14 | 3.63 | 3.50 |
| 3323 | Steel foundries | | 151.37 | 152.44 | 148.70 | 146.69 | | 3.57 | 3.57 | 3.45 | 3.38 |
| 333.4 | Nonferrous metals | 155.18 | 153.04 | 153.82 | 146.86 | 146.86 | 3.66 | 3.67 | 3.68 | 3.48 | 3.48 |
| 3334 | Primary aluminum | | 162.40 | 165.21 | 162.15 | 162.15 | | 4.00 | 4.01 | 3.89 | 3.86 |
| 335 | Nonferrous rolling and drawing | 152.40 | 151.68 | 153.97 | 151.98 | 148.47 | 3.62 | 3.62 | 3.64 | 3.51 | 3.51 |
| 3351 | Cooper rolling and drawing | | 152.67 | 157.25 | 154.34 | 149.39 | | 3.67 | 3.70 | 3.54 | 3.54 |
| 3352 | Aluminum rolling and drawing | | 153.41 | 155.66 | 155.81 | 155.81 | | 3.67 | 3.68 | 3.59 | 3.59 |
| 3357 | Nonferrous wire drawing and insulating | | 150.23 | 151.43 | 148.61 | 143.52 | | 3.56 | 3.58 | 3.44 | 3.45 |
| 336 | Nonferrous foundries | 137.83 | 136.68 | 138.11 | 135.46 | 135.05 | 3.42 | 3.40 | 3.41 | 3.28 | 3.27 |
| 3361 | Aluminum castings | | 138.40 | 140.19 | 140.27 | 140.95 | | 3.46 | 3.47 | 3.38 | 3.38 |
| 3362, 9 | Other nonferrous castings | | 134.94 | 135.27 | 130.60 | 129.24 | | 3.34 | 3.34 | 3.17 | 3.16 |
| 339 | Miscellaneous primary metal products | 168.50 | 167.26 | 169.72 | 171.07 | 166.99 | 4.07 | 4.04 | 4.07 | 3.96 | 3.92 |
| 3391 | Iron and steel forgings | | 172.60 | 174.26 | 177.59 | 174.66 | | 4.22 | 4.24 | 4.13 | 4.10 |
| 34 | Fabricated metal products | 142.27 | 140.42 | 141.04 | 136.45 | 133.01 | 3.47 | 3.45 | 3.44 | 3.28 | 3.26 |
| 341 | Metal cans | 173.78 | 169.38 | 169.22 | 162.69 | 161.93 | 3.97 | 3.93 | 3.89 | 3.81 | 3.81 |
| 342 | Cutlery, hand tools, and hardware | 131.86 | 130.07 | 132.84 | 131.33 | 127.75 | 3.28 | 3.26 | 3.28 | 3.18 | 3.17 |
| 3421, 3, 5 | Cutlery and hand tools, including saws | | 131.38 | 130.17 | 129.98 | 125.56 | | 3.26 | 3.23 | 3.08 | 3.07 |
| 3429 | Hardware, n.e.c. | | 128.77 | 135.12 | 132.60 | 129.68 | | 3.26 | 3.32 | 3.25 | 3.25 |
| 343 | Plumbing and heating, except electric | 128.55 | 126.15 | 126.40 | 124.24 | 124.44 | 3.23 | 3.21 | 3.20 | 3.06 | 3.05 |
| 3431, 2 | Sanitary ware and plumbers' brass goods | | 127.20 | 129.56 | 130.10 | 129.69 | | 3.27 | 3.28 | 3.12 | 3.11 |
| 3433 | Heating equipment, except electric | | 125.77 | 123.55 | 119.10 | 119.60 | | 3.16 | 3.12 | 3.00 | 2.99 |
| 344 | Fabricated structural metal products | 140.94 | 139.15 | 138.92 | 132.11 | 129.28 | 3.48 | 3.47 | 3.43 | 3.23 | 3.20 |
| 3441 | Fabricated structural steel | | 140.76 | 138.79 | 130.88 | 127.43 | | 3.45 | 3.41 | 3.20 | 3.17 |
| 3442 | Metal doors, sash, and trim | | 115.97 | 116.27 | 111.56 | 108.64 | | 3.06 | 3.02 | 2.81 | 2.80 |
| 3443 | Fabricated plate work (boiler shops) | | 149.60 | 150.54 | 144.06 | 141.36 | | 3.64 | 3.61 | 3.43 | 3.39 |
| 3444 | Sheet metal work | | 145.27 | 146.65 | 138.99 | 136.82 | | 3.65 | 3.63 | 3.39 | 3.37 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3446, 9 | Architectural and miscellaneous metal work | | 131.14 | 130.73 | 124.89 | 122.85 | | 3.32 | 3.26 | 3.13 | 3.11 |
| 345 | Screw machine products, bolts, etc | 141.66 | 142.35 | 144.48 | 144.75 | 139.68 | 3.43 | 3.43 | 3.44 | 3.32 | 3.31 |
| 3451 | Screw machine products | | 137.76 | 139.11 | 138.14 | 130.15 | | 3.36 | 3.36 | 3.22 | 3.19 |
| 3452 | Bolts, nuts, rivets, and washers | | 146.65 | 149.53 | 150.72 | 148.77 | | 3.50 | 3.51 | 3.41 | 3.42 |
| 346 | Metal stampings | 157.63 | 153.71 | 158.00 | 150.00 | 145.20 | 3.78 | 3.74 | 3.78 | 3.58 | 3.55 |
| 347 | Metal services, n.e.c | 126.79 | 125.86 | 124.22 | 120.72 | 119.07 | 3.10 | 3.10 | 3.09 | 2.93 | 2.94 |
| 348 | Miscellaneous fabricated wire products | 125.33 | 124.84 | 125.86 | 122.07 | 119.39 | 3.11 | 3.09 | 3.10 | 2.97 | 2.97 |
| 349 | Miscellaneous fabricated metal products | 139.74 | 140.42 | 139.59 | 132.51 | 130.06 | 3.40 | 3.40 | 3.38 | 3.17 | 3.18 |
| 3494, 8 | Valves, pipe, and pipe fittings | | 143.31 | 143.10 | 134.08 | 132.34 | | 3.47 | 3.44 | 3.20 | 3.2 |
| 35 | Machinery, except electrical | 157.08 | 155.87 | 156.14 | 151.36 | 148.82 | 3.74 | 3.72 | 3.70 | 3.52 | 3.51 |
| 351 | Engines and turbines | 171.38 | 166.06 | 165.55 | 162.31 | 163.50 | 4.10 | 4.07 | 3.97 | 3.81 | 3.82 |
| 3511 | Steam engines and turbines | | 168.84 | 165.36 | 166.60 | 167.06 | | 4.20 | 3.90 | 3.92 | 3.94 |
| 3519 | Internal combustion engines, n.e.c | | 164.41 | 165.57 | 160.60 | 162.11 | | 4.01 | 3.98 | 3.77 | 3.77 |
| 352 | Farm machinery | | 147.83 | 145.84 | 140.76 | 140.48 | | 3.65 | 3.61 | 3.45 | 3.46 |
| 353 | Construction and related machinery | 156.56 | 154.98 | 154.19 | 149.99 | 149.21 | 3.71 | 3.69 | 3.68 | 3.48 | 3.47 |
| 3531, 2 | Construction and mining machinery | | 162.43 | 160.78 | 153.58 | 153.15 | | 3.84 | 3.81 | 3.58 | 3.57 |
| 3533 | Oil field machinery | | 144.24 | 144.32 | 140.28 | 141.70 | | 3.41 | 3.42 | 3.27 | 3.28 |
| 3535, 6 | Conveyors, hoists, cranes, monorails | | 151.68 | 152.82 | 150.67 | 147.99 | | 3.62 | 3.63 | 3.44 | 3.41 |
| 3537 | Industrial trucks and tractors | | 134.06 | 134.98 | 145.19 | 143.88 | | 3.36 | 3.40 | 3.33 | 3.30 |
| 354 | Metal working machinery | 180.87 | 180.46 | 180.78 | 171.20 | 167.64 | 4.12 | 4.12 | 4.09 | 3.83 | 3.81 |
| 3541 | Machine tools, metal cutting types | | 170.77 | 169.38 | 165.75 | 160.02 | | 3.99 | 3.93 | 3.75 | 3.73 |
| 3544 | Special dies, tools, jigs, and fixtures | | 207.01 | 209.23 | 190.70 | 188.24 | | 4.51 | 4.49 | 4.11 | 4.11 |
| 3545 | Machine tool accessories | | 155.58 | 156.24 | 154.34 | 149.32 | | 3.74 | 3.72 | 3.54 | 3.53 |
| 3542, 8 | Miscellaneous metal working machinery | | 157.36 | 157.19 | 153.01 | 152.22 | | 3.72 | 3.69 | 3.55 | 3.54 |
| 355 | Special industry machinery | 146.70 | 146.01 | 146.28 | 141.80 | 136.69 | 3.46 | 3.46 | 3.45 | 3.29 | 3.27 |
| 3551 | Food products machinery | | 154.94 | 153.65 | 145.09 | 139.93 | | 3.62 | 3.59 | 3.39 | 3.38 |
| 3552 | Textile machinery | | 120.29 | 121.18 | 119.28 | 114.95 | | 2.97 | 2.97 | 2.80 | 2.79 |
| 3555 | Printing trades machinery | | 156.28 | 158.48 | 153.72 | 147.26 | | 3.66 | 3.66 | 3.55 | 3.54 |
| 356 | General industrial machinery | 152.77 | 152.67 | 153.35 | 149.95 | 145.67 | 3.69 | 3.67 | 3.66 | 3.52 | 3.51 |
| 3561 | Pumps and compressors | | 151.20 | 151.01 | 141.70 | 137.83 | | 3.60 | 3.57 | 3.39 | 3.37 |
| 3562 | Ball and roller bearings | | 152.48 | 158.25 | 156.45 | 151.48 | | 3.71 | 3.75 | 3.63 | 3.65 |
| 3564 | Blowers and fans | | 139.28 | 138.94 | 133.31 | 129.92 | | 3.34 | 3.34 | 3.22 | 3.20 |
| 3566 | Power transmission equipment | | 155.30 | 153.67 | 153.91 | 148.40 | | 3.68 | 3.65 | 3.53 | 3.50 |
| 357 | Office and computing machines | 150.23 | 149.24 | 152.40 | 148.67 | 146.58 | 3.64 | 3.64 | 3.62 | 3.49 | 3.49 |
| 3573 | Electronic computing equipment | | 152.21 | 154.44 | 151.12 | 150.68 | | 3.65 | 3.60 | 3.49 | 3.48 |
| 358 | Service industry machines | 133.72 | 130.28 | 131.08 | 131.84 | 128.39 | 3.31 | 3.29 | 3.31 | 3.20 | 3.17 |
| 3585 | Refrigeration machinery | | 131.14 | 131.93 | 134.88 | 131.61 | | 3.32 | 3.34 | 3.25 | 3.21 |
| 359 | Miscellaneous, machinery, except electrical | 153.19 | 151.86 | 153.00 | 147.80 | 144.57 | 3.63 | 3.59 | 3.60 | 3.39 | 3.37 |

Note: Data for the 2 most recent months are preliminary.

Mr. GIBBONS. I notice in the Wall Street Journal today that GM and Ford are perhaps planning to buy some steel from Japan and from other countries. That ought to kind of excite you. I understand that GM particularly has not bought steel overseas yet but is now contemplating it.

Thank you, sir.

Mr. CLAYMAN. Thank you.

Mr. GIBBONS. Mr. Seymour Graubard, representing the American Institute for Imported Steel, Inc. Welcome to the committee. Just identify yourself and your associate for the record. We will allocate you 20 minutes. The time is now 11:29 a.m.

## STATEMENT OF SEYMOUR GRAUBARD, COUNSEL, AMERICAN INSTITUTE FOR IMPORTED STEEL. INC.; ACCOMPANIED BY MICHAEL H. GREENBERG, ASSOCIATE COUNSEL

Mr. GRAUBARD. I am Seymour Graubard, counsel for the American Institute for Imported Steel, Inc. I am accompanied here by my associate counsel, Mr. Michael H. Greenberg, on my left. In order to keep within the direction of the Chair and not exceed the time limit I propose as I read my statement to skip over various parts that are supportive or descriptive in nature, but I ask that my entire statement be printed in the record.

Mr. GIBBONS. Thank you, sir. Just proceed as you wish.

Mr. GRAUBARD. Mr. Chairman and members of the committee: I am Seymour Graubard, a member of the firm of Graubard, Moskovitz, McGoldrick, Dannett and Horowitz, 345 Park Avenue, New York, N.Y., and Graubard, Moskovitz and McCauley, 1629 K Street NW., Washington, D.C., counsel to the American Institute for Imported Steel, Inc. I thank you on behalf of this Institute for this opportunity to discuss one of the momentous issues presently facing this Nation, the future course of U.S. international trade policy. We believe that it is essential to the economic well-being of this country and that of the Common Market, Great Britain, Japan and the rest of the Free World trade partners that U.S. international trade policy continue to parallel our established national economic policy of free competitive enterprise unfettered by unnecessary, artificial governmental or private restraints. That policy should continue to be expansionary, devoted to dismantling, not raising the tariff and nontariff barriers.

The Institute is unalterably opposed to quotas, even though they are euphemistically termed "orderly marketing" programs. Whether they are legislatively imposed or called "voluntary," in reality they are entered into under the threat of legislation.

Thus, we appear here today to oppose the plethora of bills before the committee which would provide for general quota mechanisms or specific product quotas, particularly those directed to the international steel trade.

We support the administration bill, H.R. 14870, introduced by Chairman Mills, and Representative Byrnes, with certain important reservations and suggestions with respect to the escape clause contained in section 301(b) of the bill.

The institute is a trade association which was incorporated under the laws of the State of New York in 1950. It numbers in its member-

ship approximately 60 American firms who are among the leading importers of steel into the United States and account for more than 80 percent of those imports from the Common Market nations. These firms import from the other steel producing nations as well. They also export American products including steel. Indeed a number of them began as steel exporters and are pleased to see the resurgence of substantial exports of steel mill products by the American steel industry.

We also have recently added to our membership American warehousemen, steel consumers and firms engaged in businesses such as shipping, which serve the international steel trade. We hope in the future greatly to expand in these categories because of the common interests of these U.S. businessmen and the steel importing community.

The institute is no stranger to this committee. Just a few days less than 2 years ago. Mr. Kurt Orban, then president of the institute, appeared before this committee to support the "Trade Expansion Act of 1968" and to refute the arguments of the steel industry and steel union for quotas.[1]

At that time the industry and union were claiming that 70,000 jobs were lost to steel imports. They also foresaw a worldwide overcapacity of 60 to 80 million tons of steel which would further injure them. They argued that, unless imports were restrained, the steel industry would be engulfed and national security would suffer. Their spokesman assured this committee that they would not take advantage of the consumer if they were given "temporary protection" until the competitive situation could be stabilized.

### THE VOLUNTARY EXPORT RESTRAINT PROGRAM (VERP)

The industry and union got the protection they sought. Shortly after the 1968 hearings, the State Department began negotiations with the Japanese and European steel producers who, in January 1969, under the implied threat of quota legislation, agreed to a 3-year "voluntary" agreement. Under this agreement, which continues in effect until the end of 1971, the Japanese and Europeans undertook not to increase the tonnage of imports more than 5 percent a year above 77 percent of 1968 imports.

We were neither parties to the agreement nor were we consulted. We did suggest to the State Department that the product mix of the imports be maintained so as to protect the raw material supply of the small American fabricator dependent upon imported wire rods and other semifinished products. And we asked that present distribution patterns be maintained in view of the limitation on supply. The U.S. Government sought and received assurances from the foreign producers on these matters.

The foreign producers, particularly the mills in the Common Market, have lived up to their tonnage commitments under the voluntary export restraint program which we call VERP.

In 1969, the Europeans' share of the quota was not even met. Although importers and independent American fabricators have complained that the supply of some imported steel products has been inadequate, the current worldwide steel shortage probably has ac-

[1] Hearings on Foreign Trade and Tariff Proposals, Committee on Ways and Means, House of Representatives, 90th Cong., second sess., pp. 2088–2117.

counted for many of the difficulties. Of course, quotas by their very nature, probably also contributed to the shortage situation in the United States.

THE FALLACIOUS STEEL INDUSTRY'S AND UNION'S QUOTA ARGUMENTS

It is not too early to reexamine the validity of the arguments propounded by the steel industry and union, at the 1968 hearings, for protection from steel imports. Events during the 17 months since the advent of the VERP clearly demonstrate their inherent fallacies.

*The fallacious "70,000 lost jobs" argument*

The steel industry and union claimed that if all of the steel imported had been produced in the United States, there would have been jobs for 70,000 additional American workers. The arithmetic was simple, the industry and union claimed. All one had to do was to divide the number of tons produced by the domestic industry by the number of the production workers employed, and to take the resultant tonnage figure per worker and divide it into the total tonnage imported.

The basic defect in the argument was its failure to take account of automation, and the consequently false assumption that increased U.S. steel production necessarily meant more American jobs.

The facts are that, while U.S. steel production and shipments in 1969 increased over 1968 figures by 10 million and 2 million tons respectively, the number of production workers employed by the domestic industry in 1969 fell by 5,000, and total industry employment was 8,000 less in 1969 than in 1968.

According to the American Iron and Steel Institute's own statistics, the U.S. industry had alltime record production of 141 million tons and shipments of 94 million tons in 1969, as compared to 1968 production of 131 million tons and shipments of 92 million tons. Yet in 1969, only 415,000 production workers and a total work force of 544,000 were required to produce this record tonnage, as compared to 420,500 production workers and total employment of 552,000 by the U.S. industry in 1968. The 10 million ton 1969 increase with 5,000 less production workers is particularly noteworthy in view of the fact that the alleged 70,000 jobs calculated to be gained by the industry and union was based upon 1967 imports of approximately 11 million tons.

We submit that there could hardly be a more devastating refutation of the fallacy that steel imports cost U.S. jobs than those statistics. And this is even without considering the employment lost in U.S. fabricating industries dependent upon imported steel as a raw material, in the transportation and import trades as well as those.

*The mythical 80 million ton worldwide overcapacity*

The most amazing occurrence since the advent of the VERP is the disappearance of the 80 million worldwide overcapacity of steel production which U.S. steel industry and labor claimed overhung the American market and made steel quotas imperative. Instead of overcapacity there has appeared a worldwide shortage of steel. The United States exported over 5.5 million tons last year and is exporting at an accelerated rate this year.

Indeed, for the month of February 1970, exports and imports were virtually in balance. The gap for the first quarter of 1970 was less

than 300,000 tons or 1.2 million tons on an annual basis. This is a percentage drop of some 85 percent from 1969 and 93 percent from 1968.

While it is true that steel imports still exceed exports, it is also apparent that these imports fill a vital need of the U.S. economy which the U.S. industry could not fully meet even at the record levels of production.

Another interesting aspect of the overcapacity myth is the alleged cause of the present worldwide steel shortage and its bearing on the claim of industry and labor that quotas are necessary to national security.

Only recently the New York Times reported that Red China was a heavy steel buyer, and there have been similar reports last year concerning the Soviet Union. World trade can be analogized to a hydraulic system. Pressure in one part of the system has a reaction in others parts of the system. By artificially limiting steel producers abroad in their sales to the American market, we of necessity create pressure in the world steel market for sales elsewhere. Thus an unintended consequence of the VERP appears to be that in forcing some foreign steel into normally commercially less attractive markets, the VERP quota is having effects directly contrary to the United States international interests, rather than supporting our national security, as claimed by the steel industry and the union.

THE INDUSTRY-UNION PROTEST THAT QUOTAS WOULD NOT HURT THE CONSUMER

Now, let us examine how realistic the assurances were by the steel industry and the United States steel workers union that the consumer would not be hurt by steel quotas.

*Inflation and Steel Prices*

Two years ago, we warned that the U.S. steel industry, using its administered pricing system would raise prices to take advantage of a restriction in import competition to raise prices. We noted that in the 20 years following World War II, steel prices had increased two and a half times as fast as the price index of all commodities.

Since the advent of VERP, 17 months ago, steel prices have been raised across the board by more than 10 percent. Only a few weeks ago, Bethlehem Steel Corp. announced a price increase of approximately 5 percent on flat rolled products, effective today. They have been followed by the rest of the industry. A 9-percent increase in rebar prices was only recently announced also to take effect today, June 1, 1970.

Price increases for the first quarter of 1970 alone averaged almost 6 percent, and they applied to 60 percent of steel industry shipments. A leading authority on the steel industry has estimated that, including the flat rolled products' price increase, second quarter average prices will be still higher. The same writer has noted that in 1967 and 1968, the 2 years preceding the VERP, steel prices went up on 1.2 percent and 2.5 percent respectively.[2]

The precipituous rise of steel prices, and their inflationary effects

[2] Sidney Fish, Journal of Commerce, May 4, 1970.

upon the prices of the multitude of consumer products made of steel, has brought a suggestion from one of the members of the Council of Economic Advisers, Dr. Hendrick Houthakker, that VERP limitations should be relaxed to aid the fight against inflation.

Even the Steel Workers Union has begun to complain that the industry is taking unfair advantage of the protective umbrella of the VERP which the union had cooperated with the industry to obtain. Mr. Joseph Malone, a vice president of the union, was reported in the March 21 edition of the New York Times to have stated that the industry was "shortsighted, reckless, and shameful" in raising prices while protected by voluntary quotas at a time when inflation was so serious a national problem.

*Inflation and Steel Wages*

Despite the industry price increases and the record level of U.S. steel production in 1969, a majority of the major integrated steel companies showed lower profits for 1969 than for 1968, although 15 of the 32 largest companies did post better earnings. According to an authoritative financial analysis, these lower profits were due in important part to employment costs which rose an average of 8.4 percent in 1969, outstripping the rise in prices by more than 3 percent of the year.[3]

In other words the steel union also benefited from the VERP at the expense of the consumer and the U.S. economy. However, the benefit was in wage increases, and as we have shown, not in the increased employment which the union claimed would come with import restrictions.

These statistics should be seriously considered in appraising the United Steel Workers' argument that steel quotas are needed to prevent an influx of imports in years in which the industry labor contract comes up for renewal. In effect, the union is asking that it too be insulated from import competition, so as to strengthen its bargaining position vis-a-vis the public.

The union apparently is not concerned that such a restriction of steel imports means lost employment to fellow unionists, particularly those who work for companies utilizing steel as a raw material, which otherwise could turn to imports for part of their requirements during a strike, or other period of U.S. steel shortage, such as in the present tight market.

We wish to be clear that, in reciting the inflationary effects of the VERP, we do not mean to impute either to the U.S. steel industry or to steel labor any evil motives. They undoubtedly are acting in what they conceive to be their legitimate economic interests in seeking protection from import competition. However, their narrow, short term interests are not in the national interest or even in their own long term interests.

It is apparent that a legislative quota would be even less desirable economically than the so-called voluntary export restraint program. The VERP, being informal in nature, did not give grounds under article XIX of the GATT for retaliation against U.S. exports by the nations whose steel exports were voluntarily restrainted. If legisla-

[3] Steel Profit Is an Elusive Thing, Industry Week, Apr. 20, 1970.

tion quotas were enacted, those nations undoubtedly would retaliate against U.S. exports, as they are entitled to do under article XIX 3 of the GATT.

Neither of these nontariff trade barriers—"voluntary" or legislative quotas—is the answer to U.S. international trade problems. Rather, we should seek to promote and to expand U.S. exports as we purchase more imports, so as to create a higher level of economic activity, more jobs and profits, both here and abroad. Temporary problems of worker or firm dislocation due to import competition should be handled by temporary adjustment assistance, just as we ameliorate the rigors of domestic competition through unemployment insurance and loan assistance to small businesses.

In this way we can continue the growth of our economy achieved in no small part by the trade liberalization and expansion of the last 36 years. The other alternative of narrow economic nationalism can only lead us back to the economic disaster of a worldwide depression which the Smoot-Hawley tariff and philosophy did so much to produce.

H.R. 14870

We believe that administration bill, H.R. 14870, while modest in its approach, maintains the proper alternative and direction for U.S. international trade policy.

We are in favor of liberalized adjustment assistance. The permanent funding of the GATT, also provided by the bill, is a major step in reaffirming the U.S. commitment to the expansion of international trade by negotiation. In this we believe with the President, that fulfilling the Kennedy Round commitment to repeal American Selling Price evaluation is a sine qua non to further international negotiations with a view to dismantling nontariff trade barriers to U.S. trade.

We have been successful up to the present in lowering tariff barriers by setting the example for other nations. The United States, as the most powerful and economically advanced nation in the world, must continue to furnish the leadership if progress is to be made as well on nontariff trade barriers. That is not to say that we should not insist on reciprocity. We submit, however, that there is no inconsistency between a tough and a forward looking negotiating stance.

*The escape clause*

We have one reservation with respect to H.R. 14870 and that is that with respect to the proposed amendment of the "escape clause" contained in section 301(b).

The administration bill would eliminate the present precondition of escape clause relief that the increase in the imports, which are claimed to be causing or threatening serious injury to the domestic industry, be "a result in major part of concessions granted under trade agreements." We submit that the total deletion of this precondition to escape clause relief would eliminate the very reason for the existence of the escape clause mechanism and would constitute a violation of U.S. treaty obligations under article XIX of the GATT.

As the legislative history shows, the original reason for the escape clause's enactment in 1951 was to implement the provisions of article XIX of the GATT, allowing the United States to withdraw a tariff

concession if it were found to have unforeseen, serious effects, on the American industry producing the product competitive with the imports involved. Article XIX contains the treaty authorization for withdrawal of tariff concessions in such circumstances and the mechanism for international negotiations with respect to such a withdrawal by one of the contracting parties.

Thus, if, as the administration proposes, escape clause relief is not to be related in any way to a tariff concession negotiated to the GATT, the very raison d'être of the section will have been eliminated.

The escape clause would instead become a general provision under which any industry, for whatever cause, could seek protection from important competition. If relief were granted under such a general provision, how would the United States comply with the requirement of article XIX 2, that it give notice to the other contracting parties of GATT of the intention to withdraw a previously negotiated concession on the basis provided in article XIX? We submit that it would be rather difficult to notify the other contracting parties that a prior tariff concession negotiated under the GATT was being withdrawn because it was causing serious injury to an American industry, where the Tariff Commission had made no factual findings whatsoever to this effect. Indeed, under the language of the administration proposal the Tariff Commission would have the jurisdiction to find injury with respect to imports where there had never been any tariff concession negotiated pursuant to GATT. Such a finding, moreover, could result in the withdrawal of a tariff concession on imports as to which no injury could conceivably exist. For example, let us suppose that a complaint was made against pig iron imports, and that the total quantity of imports had increased sharply due to imports in which no injury could conceivably exist. For example, let us from the Soviet Union. Let us further suppose that U.S. imports of pig iron from GATT contracting parties had decreased. Under the administration proposal, the Tariff Commission would be justified in finding injury and recommending relief against all pig iron imports, including those of the GATT contracting parties.

Thus, it appears that the administration proposal would not only violate the letter and spirit of article XIX, but would nullify the painstakingly constructed international machinery for negotiating agreements. As a result, the United States would be in the anomalous position of being unable to take advantage of article XIX 2, to negotiate an agreement with respect to compensation to the other interested contracting parties. It would have no treaty basis for objecting to whatever retaliatory steps against American exports these parties might take as a result of American escape clause action under the proposed provision.

The probable results, of such a nullification of the international machinery for resolving questions of compensation for the withdrawal of treaty concessions, would be a regression to the time when trade wars rather than trade negotiations were the instrument for resolving these disputes. No more far reaching retreat from our postwar international trade policy can be imagined. We submit that the language of the present escape clause should be retained, or at the very least that "substantial part" be substituted for "major part" in the tariff concession casuality test. There is no justification for pre-

venting the escape clause's basic purpose and in effect making it into a general instrument for protectionism.

We further recommend that an amendment should be added to section 301(b) defining "domestic industry." Such an amendment should make clear that the industry to be considered by the Tariff Commission in its investigation is composed of all domestic producers of the article competitive with the imports involved. In this regard, then we differ both with the administration bill, H.R. 14870, and H.R. 16920. In our view, the administration bill is defective in failing specifically to define the industry as a national industry and H.R. 16920 is defective in defining the industry in such a way as to permit segmentation.

In making our proposal to define the industry as a national industry we ask the committee to keep in mind that escape clause relief is a very drastic step, affecting international trade agreements and the basic structure of our trade with the other nations of the free world. Such relief should not be based upon a localized problem neither caused, nor curable, by a restriction on imports entering through all ports of the United States, but should be available only where truly national injury is involved.

A local problem is properly treated by localized relief in the form of adjustment assistance to workers and firms. Such assistance can ameliorate the particular problem without disturbing international trade patterns or threatening possibile severe injury to American exports.

As the committee knows, where escape clause relief is granted to an American industry, unless the United States can reach an agreement pursuant to the provisions of article XIX by granting concessions to other contracting parties equivalent to the concessions being withdrawn, these other nations are justified under article XIX 3 of the GATT in retaliating against American exports. We have only to recall the cases of escape clause relief granted against Belgian glass and carpets, which resulted in retaliation against American exports and the consequent loss of production, profits, and jobs in the U.S. industries producing those exports.

This latter point brings me to our final recommendation with respect to the escape clause. It is our view that a specific provision should be added to section 301 to require an investigation of the probable results of escape clause action with respect to the U.S. exports and with respect to the price level in the United States for the product for which protection against import competition is proposed.

At the present time, the President, in deciding whether to follow a Tariff Commission recommendation for escape clause relief, must evaluate the recommendation for escape clause relief, the possibility of injury to U.S. export industries and to the consumer from such action without the benefit of any formal report by an agency of the Government capable of doing the economic investigation needed to uncover and assess the facts. Yet, the balancing of the harm to American export industries and the American consumer from an escape clause action, against the benefits to the industry to be protected, is one of the most important determinations that the President must make in the trade field. We recommend, therefore, that the Tariff Commission be required not only to report on the alleged injury to a U.S. industry,

but also to assess the probable injury to U.S. export industries and to the U.S. consumer, in making an escape clause recommendation to the President.

It has been estimated that more than 5.5 million persons in the United States are partly or totally dependent for their employment on international trade. The American Importer's Association, which has made a survey based upon 1969 Bureau of Labor statitstics, has estimated that close to 3½ million persons are engaged in the production and transportation of U.S. products exported to our trading partners. Approximately 2 million persons are also employed in the transportation and distribution of imported products.

Each member of this committee, and indeed every member of the Congress, has constituents whose livelihoods are dependent upon the maintenance and expansion of American international trade—both export and import. It has been estimated that the 18 States whose representatives sit on this committee alone accounted for more than $24 billion of U.S. exports in 1969. These exports covered the whole range of U.S. products from soybeans, rice and other foodstuffs to steel, chemicals, heavy machinery and automotive products.

The economic well-being of the United States and the free world is dependent upon the actions of this committee and the Congress. If the pressures of special interest groups should cause us to retreat to a policy of narrow economic nationalism, the long term effect of such a policy could only be disastrous to the U.S. economy. On the other hand, if the enlightened policy pursued by the United States during the last 36 years is maintained, the increased exports and imports deriving from such policy will mean more jobs and more profits for all concerned.

In conclusion, I wish again to thank the committee on behalf of the American Institute for Imported Steel, Inc. for the opportunity to appear here today and to be heard on this issue so vital to all of us and to the future of the U.S. trade policy.

Mr. GIBBONS. Mr. Burke, do you have any questions?

Mr. BURKE. No questions, Mr. Chairman.

Mr. GIBBONS. Mr. Broyhill?

Mr. BROYHILL. No questions.

Mr. GIBBONS. I want to thank you sir for your very straightforward statement. I appreciate the information you have brought to us today.

Mr. GRAUBARD. Thank you, sir.

Mr. GIBBONS. We now have witnesses from the Stainless Steel Flatware Manufacturers Association, Stuart C. Hemingway, Jr. and Edward A. Allen, Jr.

Mr. Hemingway and Mr. Allen, we are going to have to limit you to fifteen minutes today. You may divide the time or proceed however you wish.

## STATEMENTS OF STUART C. HEMINGWAY, JR., EXECUTIVE VICE PRESIDENT; LEWE B. MARTIN, SECRETARY; AND EDWARD A. ALLEN, JR., ON BEHALF OF STAINLESS STEEL MANUFACTURERS ASSOCIATION

Mr. HEMINGWAY. I would like to omit certain sections of my oral testimony. We would like the entire statement included in the record.

I am Stuart Hemingway, executive vice president of the Stainless

Steel Flatware Manufacturers Association and Mr. Lewe Martin, secretary, and Mr. Edward Allen, president, Utica Cutlery Co., is on my left.

Mr. Chairman, I make this statement on behalf of the Stainless Steel Flatware Manufacturers Association, a national trade association which until 60 days ago was made up of nine domestic producers of stainless steel table flatware, who account for over 90 percent of domestic production of these articles (attachment A—membership list). In March, Hobson and Botts in Danbury, Conn., ceased production and just a week ago, Voos Industries, Inc., of Wallingford, Conn., a past association member ceased operating its flatware division.

Just what the future will be for the remaining domestic producers of stainless steel flatware is now directly in the hands of the Office of the Executive but with the possibility of an assist from this committee and the Congress. This industry was singled out by the executive last September as being the victim of a bad deal in our continuing international trade contract—the General Agreement on Tariffs and Trade. However, after making this acknowledgment the Executive failed to go forward with the procedures reserved pursuant to paragraph 1, article XXVIII of GATT. A House concurrent resolution is now before this committee which if acted upon would demonstrate the feeling of Congress that imports of stainless steel flatware should be adjusted now to prevent further irreparable injury to this historic industry.

I urge the committee in considering House Concurrent Resolutions 605 and 611 to review the recent findings of the U.S. Tariff Commission (investigation 332063, December 1969) set forth below:

... (Following termination of the tariff-rate quota in 1967.)

Imports responded dramatically by increasing at an average annual rate of 66.8 percent in 1968 and 1969. Meanwhile U.S. apparent consumption increased at an average annual rate of only 16 percent. . . . As a result, imports have supplied an increasing share of U.S. consumption . . . rising . . . to 48.8 percent in the first 9 months of 1969, almost equalling domestic production.

The dramatic increase in imports . . . exerted an observable downward pressure on U.S. producers' sales . . . (about a 12 percent decline).

This overall decline occurred despite impressive expenditures on the part of U.S. producers to improve their production facilities and in spite of their increased sales efforts.

. . . considerable excess capacity has developed in the industry.

Since 1967 . . . the wage cost per unit of output has increased by about 17 percent and the average hourly wages paid by about 15 percent.

This decline in production has brought about a concomitant decline in employment in the industry.

. . . intense import competition has prevented most U.S. producers from raising prices in most lines to adjust fully for increased costs.

Omitting the one most and the one least profitable U.S. producers from the computation, the ratio of net profits to net sales during 1964–69 averaged 2.5 percent; a small net loss was experienced during the first 6 months of 1969.

And finally—

On the basis of the foregoing facts, the Commission concludes that the injurious effects of imports on the domestic stainless-steel table flatware industry have been sufficient to warrant serious consideration of some form of relief.

Despite this unquestioned sanctioned by the Tariff Commission; repeated urging by the domestic industry; and an import penetration of 56 percent of consumption in the first quarter of 1970 the Office of the Executive has failed to act under article XXVIII. The special trade representative has recognized the urgency of the situation for

in a letter to Congressman James A. Burke dated May 13, 1970, Ambassador Gilbert stated:

> I am fully aware of the situation facing the industry and can assure you this issue is among the matters of top priority in my office.

Why then when it seems well recognized that the adjustments of imports is long overdue is there still no affirmative action? We can only believe that relief for this inordinately jeopardized industry is overshadowed by the textile negotiations, principally with Japan. Do the words "among the matters of top priority in my office" really mean that our case has been put on the back burner until the Office of the Executive or Secretary Stans can conclude the textile negotiations with Japan?

In view of the withdrawal of two domestic producers in the last 60 days it should be apparent that this industry cannot afford the luxury of the time apparently necessary to conclude such negotiations. If the proposed withdrawal of concessions pursuant to article XXVIII of the GATT is further delayed it will leave in doubt the survival of this industry in its historic form.

I have included as attachment B a chronological summary of the effects of imports on this industry since 1939. May I especially direct your attention to four critical points in our case; namely,

1. Concessions attract imports to high labor content industry.
2. Unanimous finding of serious injury in escape clause investigation.
3. Success of tariff-rate quota.
4. Investigation under article XXVIII of GATT.

Stainless-steel table flatware is very simply a piece of metal, stamped, formed, graded and polished, all processes which require direct hand labor. Nothing is added to the metal by way of parts or accessories, the manufacture of which could be automated to reduce costs. This flatware is made of stainless-steel because it is durable, requires no maintenance and has a low cost. As a general statement this is a basic product for which the manufacturing techniques and machinery are available on a worldwide basis. Since the industry of practically any country can manufacture knives, forks, and spoons, it is the product which induces competition. Stainless-steel table flatware requires a high labor input and is therefore particularly sensitive to competition from the products of low-wage countries.

Further, stainless-steel table flatware is composed of articles which are relatively small and uniform so it is easy to package, transport and store.

Finally, because stainless-steel knives, forks, and spoons are basically functional—dedicated to the exclusive purposes of eating and serving food—the price level at which they are purchased is closely related to the economics of the purchaser. In other words knives, forks, and spoons perform the same purposes no matter at what price level they are purchased.

It was as a result of these conditions that the vast American market did in fact attract such increased imports of stainless-steel flatware in 1956–57 that the domestic industry requested an escape clause investigation by the Traffic Commission. (Section 7 of the Trade Agreements Act of 1951, as amended.)

After a unanimous finding of serious injury, President Eisenhower in October 1959, established a tariff-rate quota designed to remedy

the injury and which in fact did tend to establish an orderly marketing of these articles. This tariff-rate quota, modified upward in 1965, was terminated by President Johnson in October 1967, on the assumption the domestic industry could compete at the concession rates. Termination was attended by an announcement by the President that the responsible Federal departments had been asked to maintain surveillance over this industry to determine if other assistance is appropriate at a later date. Subsequent events prove that the concession rates are not sufficient to maintain the domestic industry and at a minimum the restoration of the statutory rates of duty is clearly warranted.

The members of the Stainless Steel Flatware Manufacturers Association believing that the return to the concession rates on stainless-steel table flatware on October 11, 1967, had truly caused an unreasonable volume of imports of table flatware, requested the President on April 10, 1969, to notify the signatories to the GATT of the intention of the United States to so modify this international contract pursuant to article XXVIII thereof. The U.S. statutory authority for the President to act is contained in section 255(b) of the Trade Expansion Act of 1962 which provides for the termination of proclamations in whole or in part relating to tariff concessions.

Even though the complex environment of the U.S. economy contains a great variety of factors which affect the productive capacity and competitiveness of American producers, there is little doubt that the termination of the tariff-rate quota on October 11, 1967, was the major cause of increased imports of stainless-steel flatware.

UNITED STATES IMPORTS FOR CONSUMPTION STAINLESS-STEEL TABLE FLATWARE

(1,000 dozen pieces)

| | |
|---|---|
| 1963 | 6,860 |
| 1964 | 7,339 |
| 1965 | 8,880 |
| 1966 | 9,185 |
| 1967 | 7,807 |
| 1968 | 14,872 |
| 1969 | 25,885 |

As startling as an import of 25.9 million dozen for 1969 appears, it is not significantly at variance with the projections made by the domestic industry in the exhibits filed with the Tariff Commission in May, 1967, in TEA-I-EX-3 (attachment C) just 2 years earlier. In making its projection the domestic industry used as factors in its equation: consumption, personal disposable income and household formations—one factor, however, was missing—the inherent nature of the product involved as I have described above which encourages competition from low-wage countries and has led to the predatory practices of the Japanese and other Far East flatware industries. I would like to point out that flatware manufacturing is not a basic foreign industry since 90 percent of the people use chopsticks. So the industry exists only to capture the American market, the world market, and destroy the American stainless-steel flatware industry.

On September 30, 1969, the United States notified the signatories to GATT under paragraph 1 of article XXVIII of its reservation of all rights including the right to modify all or part of the United States concessions on stainless steel table flatware. A country which takes action under article XXVIII is expected then to negotiate or consult with the countries with which the concessions were originally nego-

tiated (United Kingdom) and with other contracting parties having a primary trade interest in the concessions (Japan). In such negotiations, the countries concerned are to endeavor to maintain a general level of reciprocal concessions substantially equivalent to the concessions initially negotiated.

While discussions were initiated with Japan following the termination of the tariff quota to adjust the balance of concessions no agreement has been reached. Therefore the United States has a credit in its concession balances with Japan with interest from October of 1967 which should be sufficient to offset any compensation indicated when the statutory rates are proclaimed. If any further small adjustment is required, we urge that section 203 of H.R. 16920 be amended to include Presidential authority to enter into trade negotiations not only as a result of action taken pursuant to Section 351 of the Trade Expansion Act of 1962 but also article XXVIII of GATT.

Congressmen Monagan and Pirnie have introduced House Concurrent Resolutions 605 and 611 both of which have been referred to this committee. These resolutions state that it is the sense of the Congress that the President or his authorized representative in the Office of the Special Representative for Trade Negotiations to invoke the rights reserved by the United States to restore the statutory rates on stainless steel flatware.

We strongly urge the Ways and Means Committee to recognize the urgency of this matter and report out House Concurrent Resolutions 605 and 611 thereby indicating a congressional desire that stainless steel table flatware be divorced from the textile issue and that negotiations under article XXVIII be promptly concluded.

As you know, this is the official statement of this association. I can speak for my own company and say since last August our man-hours have been down 20 percent, our employees down 17 percent. We have spent over $9 million in the last 2 years to try to compete with imports but find that when the quota went off, the floodgates opened and there is no bottom to the pricing.

(Appendixes A, B, and C follow:)

## APPENDIX A

### Stainless Steel Flatware Manufacturers Association—List of Member Companies

Gorham Corp., 333 Adelaide Avenue, Providence, R.I. 02907.
The International Silver Co., Meriden, Conn. 06450.
Imperial Knife Associated Cos., Inc., 1776 Broadway, New York, N.Y. 10019.
Hobson & Botts Co., Inc., 190½ White Street, Danbury, Conn. 06813.
Oneida Ltd., Oneida, N.Y. 13421.
Reed & Barton Corp., 144 West Britannia Street, Tauton, Mass. 02780.
The Majestic Silver Co., 241 Wolcott Street, New Haven, Conn. 06513.
Washington Forge, Inc., 28 Harrison Avenue, Englishtown, N.J. 07726.
Utica Cutlery Co., 820 Noyes Street, Utica, N.Y. 13503.

## APPENDIX B

*Stainless steel table flatware, summary of effects of imports on domestic industry, 1939–70*

| Year: | *Imports (1,000 dozens)* |
|---|---|
| 1939–51: Trade agreement concessions reduce duty rate to less than ½ Tariff Act of 1930 rate | (1) |
| 1951: Import data not available but believed to be very small, domestic sales 11.4 million dozen | (1) |

[1] Not available.

| Year | | Imports (1,000 dozens) |
|---|---|---|
| 1953: | First available import data | 883 |
| 1957: | Domestic industry files under "escape clause" for relief imports are 44.7 percent of consumption | 10,600 |
| 1958: | Tariff Commission unanimously finds injury recommends relief. Japanese voluntary quota fails because of transshipments | 9,180 |
| 1959: | Second Tariff Commission urges relief, President proclaims tariff-rate quota 5,750,000 dozen on flatware under 10:2 inches in length and under $3 per dozen. U.S. sales 18,600,000 dozen. Imports within quota subject to concession rates of duty; imports above the quota are not limited quantatively but are subject to substantially increased duties | 8,950 |
| 1961–63: | Three Tariff Commission reports—conditions not changed to require removal of tariff-rate quota | [2] 6,000 |
| 1962: | Trade Expansion Act passed—provided for automatic termination of "escape clause" relief on Oct. 11, 1967, unless extended by the President | |
| 1964: | Tariff Commission investigation ordered by President to determine probable economic effect of modification or termination of tariff-rate quota | 7,339 |
| 1965: | Tariff Commission Report stated termination of tariff-rate quota would result in increased imports and importers with a more volatile competition and lower prices | 8,880 |
| 1966: | President modifies tariff-rate quota 5,750,000 to 7,000,000 dozen and reduces over quota rates of duty by 33 to 77 percent | 9,185 |
| 1967: | Second Tariff Commission investigation under TEA of 1962 retermination of tariff-rate quota. Again the majority found that termination would "cause a prompt and sustained increase in imports and therefore more intense competition within the U.S. market." In spite of such warnings from both the Tariff Commission and the domestic industry (brochure enclosed with this memo) the President allowed the tariff-rate quota to terminate on Oct. 11, 1967 | 7,807 |
| 1968: | The trends projected in the enclosed brochure relate very closely to the actual numbers for 1968 and projected for 1969–70. Imports soared 90 percent above previous 5-year average while domestic sales suffered their first actual decline since 1957 | 14,872 |
| 1969: | Stainless Steel Flatware Manufacturers Association files request to President urging withdrawal of concessions on stainless steel flatware under the "open season" authority of paragraph 1 of article XXVIII of General Agreement on Tariffs and Trade. This would create no problems of compensation as the balance of concessions with Japan has not been adjusted since the tariff-rate quota terminated Oct. 11, 1967. Signatories to GATT were notified Sept. 30, 1969 of U.S. reservation of right to modify concessions. Section 332 Investigation by Tariff Commission and request for public views on possible tariff changes by Trade Information Committee. Option of U.S. to modify was extended by GATT signatories to June 30, 1970 | 25,885 |
| 1970: | Imports for first 3 months increase 71 percent to 8,400,000 dozen or about 56 percent of U.S. apparent consumption. Special trade representative agrees this issue is among the matters of top priority in his office but is seeking extention from June 30 deadline. Two domestic producers (Hobson & Botts, Danbury, Conn., and Voos Industries, Meriden, Conn. shut down stainless steel flatware operations.) House Concurrent Resolutions 605 and 611 urge Office of Executive to adjust imports and stainless steel flatware by invoking rights reserved under article XXVII | [3] 32,000 |

[2] Imports average. [3] Estimate.

APPENDIX C

# Termination of the Quota Will Cause Needless and Irreparable Harm to the Domestic Industry, Its Employees and Investors.

Projected apparent consumption of stainless steel table flatware, sales by U.S. Manufacturers and imports for consumption if tariff quota is terminated October 11, 1967:

(1,000 Dozens)

| | SALES OF U.S. MANUFACTURERS | IMPORTS FOR CONSUMPTION | APPARENT CONSUMPTION |
|---|---|---|---|
| 1966 | 30,871 Est. (77%) | 9,186 Est. (23%) | 40,057 Est. (100%) |
| 1967 | 30,254 Proj. (72%) | 11,796 Proj. (28%) | 42,050 Proj. (100%) |
| 1968 | 28,439 Proj. (64%) | 16,121 Proj. (36%) | 44,560 Proj. (100%) |
| 1969 | 27,302 Proj. (58%) | 19,840 Proj. (42%) | 47,142 Proj. (100%) |
| 1970 | 26,483 Proj. (53%) | 23,337 Proj. (47%) | 49,820 Proj. (100%) |
| 1971 | 25,689 Proj. (49%) | 26,908 Proj. (51%) | 52,597 Proj. (100%) |
| 1972 | 25,175 Proj. (45%) | 30,280 Proj. (55%) | 55,455 Proj. (100%) |

**1968—1972**

DOMESTIC SALES
FOREIGN SALES GAIN 156%
APPARENT CONSUMPTION GAIN [illegible]

Mr. HEMINGWAY. We have with us today Mr. Edward Allen of Utica Cutlery. He would like to talk and make a statement.

## STATEMENT OF EDWARD A. ALLEN, JR., UTICA CUTLERY CO.

Mr. ALLEN. My name is Edward Allen. I am president of Utica Cutlery Co., Utica, N.Y., and we are manufacturers of household cutlery pocket and hunting knives, and stainless steel flatware, the latter of which has made up over 65 percent of our sales volume over the last 10 years.

The quota determination has had a devastating effect on the Utica Cutlery Co. so far as sales, employment and profitability are concerned. During the last year of quota, 1967, our flatware sales were $4,750,000.

We employed in our flatware division 245 employees. In 1969 our flatware sales had fallen to $795,000. Our employment in our flatware division had fallen to 43. Thus, only 2 years after the quota termination our flatware sales and our flatware employment are 18 percent of what they were in 1967.

Over the past 10 years we have served three different markets which have each been adversely affected by the elimination of the quota. We sold in the supermarket, continuity market, the mail order and variety store markets, and to the U.S. Government through the General Services Administration.

In the supermarkets during the quota years the over quota penalty which was sufficiently severe to discourage importing once the quota had been reached thereby limiting the supply of imports that were available to that market.

Since continuity programs require unlimited supplies the quota virtually eliminated using imports in that market.

Now that the quota is off and there is no limit to the availability of imports, imports have taken over this market. In the variety store and mail order markets our former customers are now importing directly since there is no quota and there are unlimited supplies of flatware from the Orient.

As far as the Government General Services Administration business is concerned, the elimination of the quota has resulted in increased competition among domestic suppliers. Lower prices are being quoted in an effort to pick up volume that has been lost in other markets due to imports.

At the present time the General Services Administration is considering two importers bids for the next contract year's requirements, one importer using Korean goods. Another importer using goods from Taiwan.

Then if this contract is awarded, to the importers, at least two additional domestic producers will follow Hobson and Botts industries in those closing of their doors.

In order for the smaller firms then in this industry to survive an immediate return to the statutory rates is mandatory.

This increase in tariff would bring the landed costs of the product up to our manufacturing cost and thus enable us to compete with importers on an equal basis.

Thank you, Mr. Chairman.

Mr. GIBBONS. Mr. Burke?

Mr. BURKE. On page 3 of your appendix B, you state imports for the first 3 months increased 71 percent to 8.4 million dozen at about 56 percent of the U.S. apparent consumption. That will increase your estimated figures from 25 million up to about 32 million.

Mr. HEMINGWAY. That is right; yes, sir.

Mr. BURKE. What do you think this will do to your industry?

Mr. HEMINGWAY. I think it is going to devastate it. As Mr. Allen indicated, this will mean that the smaller ones will not survive and the larges ones might go out of the flatware end of the business entirely.

Mr. BURKE. Do you think the failure to act is based on the waiting

period by the Government until you really have about 75 percent of the domestic consumption taken up by imports?

Mr. HEMINGWAY. I think we all can sort of guess at what it is going to be but at this rate I feel that for the year the imports will run close to 70 or 75 percent and that will mean that there will be practically only 25 percent made in this country.

When the quota was on, imports enjoyed 22 percent of the U.S. market which is a pretty sizable chunk when you think about it.

The first quarter of this year they are up to 56 percent.

This is why we are here. It has gotten to the point where it is completely out of control. As I pointed out in my testimony if they will act under article XXVIII, as we have been led to believe they will, I believe we will get the relief that we deserve.

Mr. BURKE. Time is of the essence.

Mr. HEMINGWAY. It is extremely important, sir.

Mr. BURKE. You have graphically pointed out the problem of the stainless steel people. I certainly hope that you will have some sympathetic ears.

Mr. HEMINGWAY. We certainly hope that this committee will support us.

Mr. GIBBONS. Thank you.

The committee has decided to hear one more witness and then take the other witnesses starting at 2 o'clock.

Mr. Joseph P. Malony, vice president of the United Steel Workers of America. Will you please come forward?

Is there anyone here representing Mr. Malony?

Mr. J. Wiley Perry, Jr., and Frederick D. Hunt, Cast Iron Soil Pipe Institute.

Let me welcome you here. Your distinguished Congressman was here earlier and wanted to introduce you. But apparently he got sidetracked.

Mr. PERRY. He had some more things to do.

Mr. GIBBONS. I noticed him sitting there very patiently. I am sorry we could not get to you sooner, Mr. Perry and Mr. Hunt. If you will identify yourselves for the record and the other people, who are with you.

Mr. PERRY. My name is J. Wiley Perry. I am director of foreign trade for the Woodward Co. of Birmingham, Ala., and chairman of the import study committee of the Cast Iron Soil Pipe Institute of Washington.

Mr. GIBBONS. Mr. Perry, let me interrupt you here for a moment. I hope you can stay within the 15 minutes we have allotted you. We may get called to the House floor before we can finish, however.

Welcome to the table, Mr. Buchanan.

## STATEMENT OF HON. JOHN BUCHANAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. BUCHANAN. Thank you, Mr. Chairman. I am glad to present to you my distinguished constituent, Mr. Perry.

Mr. GIBBONS. Go right ahead, sir.

Mr. BUCHANAN. I have expressed to the committee before and expect to again during this series of hearings, my own concern about these problems. I am privileged to present to you at this time Mr.

J. Wiley Perry. He is one of two very fine people from my city who will be testifying here today.

As a matter of fact, Mr. William P. Wilcox, of the city of Birmingham, is one of the later witnesses. I think this indicates something about Birmingham's involvement and concern about the problems of the iron and steel industry.

Mr. Perry was graduated with a masters degree from Vanderbilt University, having been born in Chattanooga, Tenn. He, for 2 years, taught in Birmingham Southern University. He worked for Swann Chemical Co. and for Tennessee Products Co. with which he was employed in Cuba and later in Mexico in the mining of magnesium ore. For 30 years he was with the Alabama Pipe Co. He is at present director of foreign trade for the Woodward Co. of Birmingham and is chairman of the import study committee of the Cast Iron Soil Pipe Institute which includes in its membership the manufacturers of 95 percent of the cast iron pipe and fittings in the United States.

Mr. Chairman, it is a great privilege to present to you Mr. J. Wiley Perry and I apologize for doing it a little belatedly.

Mr. GIBBONS. That is all right. We are glad to have that stirring, fine interruption.

Mr. Perry, we won't take any time out of yours. Go right ahead.

## STATEMENT OF J. WILEY PERRY, JR., CHAIRMAN, IMPORT STUDY COMMITTEE, CAST IRON SOIL PIPE INSTITUTE; ACCOMPANIED BY JEROME HENDRICKSON, EXECUTIVE VICE PRESIDENT, AND FREDERICK D. HUNT, FOREIGN TRADE CONSULTANT

Mr. PERRY. I will try to get through on time. I have with me Mr. Jerome Hendrickson, executive vice president of the Cast Iron Soil Pipe Institute, and also the Honorable Frederick D. Hunt, our foreign trade consultant.

The institute is a trade association representing 23 manufacturers of cast iron soil pipe and fittings who manufacture about 95 percent of the total production in the United States with an approximate annual value of $150 million. You can readily understand that on the average we are speaking for an industry composed of relatively small companies with plants located in nearly all sections of the country—New Jersey, Pennsylvania, Virginia, North Carolina, Florida, Alabama, Tennessee, Texas, Iowa, Missouri, Colorado, Oregon, and California.

Our industry has been sorely tried over the past 14 years. We have undergone four different dumping cases against Great Britain, Mexico, Australia, and Poland. Last June we requested that countervailing duties be levied against India which country subsidizes exports of cast iron pipe and fittings. To the best of our knowledge the Bureau of the Customs had not even started investigation of this case.

In 1952 we asked the Treasury to investigate an antidumping case against the importation of cast iron soil pipe and fittings at less than fair value into southern California from Mexico.

In this case the Treasury Department rules that there was no likelihood of injury because the quantity imported from this source was, in comparison to the total U.S. production, very negligible although none of it reached eastward beyond the western part of Nevada and Arizona.

The effect on the California market was not considered. During this same period, wages and prices began moving rapidly upward in relation to output and far more rapidly than those in Europe. By 1954 European plants were exporting to the United States at prices lower than those existing here. It was about that time that the importation of cast iron soil pipe, especially from France, began in considerable quantity.

Other European countries quickly followed and commenced to sell pipe in the United States at prices which appeared to be below those in their own countries. Importers aimed especially at those points in the United States where there was the greatest demand for housing and the situation became so unbearable in California that American producers of cast iron soil pipes asked the Customs to investigate imports from the United Kingdom which it was believed were being sold in this country at less than fair value within the meaning of the antidumping legislation.

In 1956 the Commissioner of Customs found that British pipe was, indeed, entering the United States at less than fair value and the case went before the U.S. Tariff Commission whose members found that there had definitely been injury caused American pipe producers in the west coast region. However, the Chairman adhered to the principle that injury must be nationwide.

This is, of course, a fallacy in the case of products such as iron, steel, cement, et cetera, which are not readily moved long distances from the port of entry.

During the late 1950's the imports commenced to arrive from non-European countries not previously engaged in the export of cast iron soil pipe and fittings. The U.S. foreign aid policy has been extended far beyond Europe and had built a large iron and steel industry in India. To compete with India, Australia found it necessary to reduce export prices and again the American producers of cast iron soil pipe and fittings found it necessary to request the Bureau of Customs to investigate. It was determined that there was importation at less than fair value but when the case reached the Tariff Commission, the Australians agreed to cease and desist and the Tariff Commisison then decided that there would be no future injury. They are still shipping pipe to Hawaii and the west coast at no tariff penalty.

By 1963 the importation of soil pipe and fittings had reached such proportions that some of the smaller American plants had to cease production, particularly on the west coast.

In 1964 Poland began exporting pipe and fittings to this country and at declared values which were so low they obviously were being dumped.

Five years ago, on November 1, 1965, we petitioned the Commissioner of Customs to investigate these imports from Poland with respect to their fair value.

Twenty-two months later there was a finding of possible injury by the Treasury Department in the case of pipe but not in the case of fittings. How and under what regulation they could separate the two has never been explained. Our case was based on pipe and fittings—a complete drainage system—not pipe or fittings. Such action was arbitrary on the part of the Treasury Department and not in accordance with the antidumping laws enacted by the Congress. It was simply a matter

of accepting a half loaf of 22 month old stale bread or we presume we were at liberty to eat cake. The Tariff Commission found that there was injury in the case of pipe from Poland but they could not, under the adopted procedures, consider fittings.

These two go together like a pair of shoes, one for the right foot and one for the left. Is not one useless without the other?

Mr. GIBBONS. Will you allow me to interrupt you to ask a question? You are just talking about iron pipe? When you talk about soil pipe you are not talking about clay pipe?

Mr. PERRY. I am talking about cast iron pipe and fittings which is the pipe which goes into the drainage systems in houses and buildings.

Mr. GIBBONS. I just wanted for my own mind to clarify it, that you are not talking about clay drainage pipe, you are just talking about cast iron pipes?

Mr. PERRY. That is right.

Mr. GIBBONS. Thank you, sir.

Mr. PERRY. During the investigations into the Polish pipe case we found that their exportations of fittings to this country were growing at an alarming rate. Normally in usage, the proportion by weight is approximately 25 percent to 30 percent fittings to 70 to 75 percent. At one time their export ratio ran as high as 60 percent fittings to 40 percent pipe.

The reason for this is quite obvious when you consider that labor costs account for 65 percent to 70 percent of the total cost of manufacturing fittings whereas only 30 percent to 35 percent of the cost of manufacturing pipe is in the item of labor.

These people are not exporting pipe or fittings or nuts and bolts. They are exporting man hours of labor in one form or another. We had no compunctions of conscience in setting rather low quotas on immigration to this country when our labor market became glutted.

Ellis Island became a decaying monument to that period in our history. Why should we shy away from setting quotas on the products of this same labor which we prohibit from entering as such?

In the antidumping case against cast iron soil pipe and fittings from Poland, the attorney for the Polish importer made this statement before the Treasury Department—"Polish pipe does not compete in the United States marketplace with French pipe."

They picked out the French pipe because they could not get any information from the Poles on their costs and labor rates and so forth. So they had to reconstruct it on the basis of the French pipe.

So they say, "Polish pipe competes here with Indian pipe which is much lower in price than the Polish pipe." Note that he did not offer to compete with American industry and labor for American market. How do the underprivileged occupants of the American ghettos benefit from this type of competition?

Unless the American manufacturer receives fair and just treatment in this consideration, we can promise you that every port in the United States will become an Ellis Island of the late 1800s and early 1900s, overflowing with foreign labor in one form or another. So who cares about our immigration quotas? How inconsistent can we be?

Referring again to the Polish case, we found that on order acknowledgements and quotations furnished by the Polish counsel the statement on a number of them read "Cast marking: KZO." On some

others we found the notation "Cast marking: SALEM". It so happened that there was a Salem Pipe and Iron Manufacturing Co. located at Bridgeton, N.J. and but not a member of the Cast Iron Soil Pipe Institute and subsequent investigation showed that they were an importer of Polish pipe and fittings. It would be reasonable to assume that the Polish material would be comingled with their own production in sales to American consumers.

With this information we petitioned the Treasury Department for the third time on October 7, 1967, to remove cast iron soil pipe and fittings from the J list, having made unsuccessful attempts on two previous requests.

On March 5, 1968, our—over 4 months later, we received notice that our request was denied.

Two weeks later we went back to them to seek information on how we could obtain reconsideration based on precedents established in other similar cases or what recourse to follow. The answer was loud and clear: "Get the law changed."

On April 9, 1968, we consulted with Alabama Senators and Congressmen about obtaining a rider on some bill to do just that, but we were advised to pursue another tactic, and a joint letter from all the Alabama congressional delegation was addressed to Secretary Fowler, asking for reconsideration in this case, and a copy of this letter is attached.

And I would like to have it included in the record if I may.

Mr. GIBBONS. Yes, sir, it will be at this point.

(The document referred to follows:)

COPY OF A LETTER TO THE SECRETARY OF THE TREASURY, DATED APRIL 9, 1968, AND SIGNED BY SENATOR LISTER HILL, SENATOR JOHN SPARKMAN, AND ALL OF THE EIGHT MEMBERS OF THE HOUSE OF REPRESENTATIVES FROM ALABAMA

MY DEAR MR. SECRETARY:

As you know, the manufacture and sale of cast iron pipe and fittings is important to the entire country and especially drainage systems of cast iron soil pipe and fittings.

There are about 24 companies engaged in the manufacture of soil pipe and fittings and these firms have a large investment in plant and create considerable employment at high rates of pay and especially for colored persons.

Most of the manufacturers, representing more than 95 percent of production, have been plagued by the importation of the most popular sizes and shapes at prices which are obviously "less than fair value" as described in our anti-dumping laws. These imports have disrupted the market and especially in the northeast sector and the west coast area.

On at least three occasions, the American manufacturers have carried anti-dumping proceedings through Tariff Commission hearings, but imports at obviously subsidized prices continue to enter this country, particularly from India, Poland and Brazil.

During the most recent case against Poland, the Tariff Commission hearings disclosed that one American manufacturer was having cast iron soil pipe made in Poland but bearing, instead of the usual cast mark of the Polish Government exporter, the name of the American manufacturer. Naturally the American manufacturers were concerned since the method of sales and distribution of soil pipe and fittings is such that even an astute wholesaler or plumbing contractor cannot tell American from foreign pipe when it is stacked in a yard. To have the name of a familiar American manufacturer on the pipe would make it all the more difficult and could even lead to fraud.

Much of the detail is contained in the attached memorandum which was sent to the Commissioner of Customs last December in support of the request made by the American manufacturers that cast iron soil pipe and fittings be removed from the list of imported articles exempted from the requirement that they be marked to indicate the country of origin.

There is also attached a letter from the Commissioner of Customs in which he declines to accede to the request of the American cast iron soil pipe industry that their products be removed from the so-called "J" list.

In the second paragraph he refers to the "historical and preexisting practice" as described in Treasury Decision 49896 dated June 24, 1939. This Decision is actually the list of articles excepted from the marking requirement as stated in paragraph J of section 1304(a)(3), Title 19, of the U.S. Code. It is supposed to include those articles imported in reasonable quantity during the five year period preceding January 1, 1938 without marking as to country of origin.

While some odd sizes of cast iron *water pipe* and fittings were imported during that period, there were no imports of cast iron *soil pipe* and fittings until after World War II. In fact, imports of soil pipe have been mostly since 1954.

The second paragraph of the Commissioner's letter states that he sees no reason to remove cast iron soil pipe and fittings from the "J" list than any other pipe or other articles. In the first place copper pipe which is imported in large quantities is not exempt from marking. Secondly, we have been assured that the manufacturers of other iron pipe and fittings would have no objections. Thirdly, it was obviously the intent of the Congress which passed the Tariff Act that *all* imported articles should be indelibly marked as to country of origin if it was physically and economically possible to do so. Many of the articles listed in Treasury Decision 49896 would still qualify for exemption from marking under paragraphs (A) through (I) of Section 1304(a)(3) of Title 19, U. S. Code.

The penultimate paragraph of the Commissioner's letter disagrees with the contention of the American cast iron soil pipe and fittings manufacturers that the Salem case is not a clear cut example of possible deception of the buyer (see page 3 of the attached memorandum). There appears to be a misunderstanding by the Commissioner. The industry did not indicate that the cast mark "Salem" was sufficient to prohibit importation. They knew that without the words "New Jersey" or "U.S.A." added, it was not illegal. No doubt the importer and exporter were aware of this, too.

Nevertheless, in this case the word was the first word of the manufacturer-importer company whose place of business is near Salem, New Jersey. There is a town named Salem in nearly every state and the word is obviously not Polish. The Federal Trade Commission has often held that the use of well-known Anglo-American names on both imported and domestic products makes it possible to deceive the buying public. It will be recalled that Watham, the name of a town less common than Salem, was an example.

Contractors bidding for the construction of Federal Government buildings are required by the General Services Administration to comply with the "Buy America" Act. We question how the contractor or inspector could be certain that there has not been intermingling of foreign soil pipe and fittings with those of American manufacture. It could be entirely foreign, for that matter.

We note that in 1956, Acting Secretary Kendall removed glass Christmas tree ornaments from the "J" list. It has now been nearly 12 years since this action was taken and without complaint from the importers, members of the Congress, or the courts. Obviously then, there is ample precedent for such action by the Secretary of the Treasury. Furthermore, since there are few articles exempted from the marking requirement and nearly all of the manufacturers have requested the removal of the exemption from cast iron soil pipe and fittings, we see no reason why the Treasury Department should not act in this case as it did in the case of the Christmas tree ornaments. Even if cast iron soil pipe and fittings had been imported before the establishment of the "J" list, we see no reason for applying 1963–67 criteria under existing conditions of the general economy or of foreign trade.

We very much urge you, Mr. Secretary, to give this your careful attention and reconsider the request made by the American manufacturers, who have a large stake in the American economy, that cast iron soil pipe and fittings be removed from section 1304(a)(3)(J) of Title 19, of the United States Code.

Mr. PERRY. On May 23d, Secretary Fowler advised the congressional delegation that he had instructed the Commissioners of Customs that the allegations concerning possible misrepresentation or deception as to country of origin warrant an investigation and that such should be done on a priority basis.

Although the Bureau of the Customs had previously told us that our

complaint against Salem had no merit, they then investigated only that one complaint which had been cited, only as the most blatant example of commingling of foreign pipe and fittings with those of U.S. manufacture. They refused to recognize the fact that the lack of any marking at all as to country of origin permitted such commingling by other companies of pipe and fittings from any country. Such attitude seems incredible in this age of consumer protection and actions taken by the Federal Trade Commission.

It should be further noted that the Treasury Department and its Bureau of Customs completely ignored that portion of the aforementioned letter from the Alabama Senators and Congressmen which pointed out that cast iron pipe and fittings should never have been placed on the J list in the first place. It did not meet the stipulation made by the Congress that exemption applied only to those items imported in substantial quantity during the period 1932–36. Official statistics and affidavits from senior members of the cast iron pipe industry indicated that there was no importation of cast iron soil pipe and fittings during that period.

It has been 2 years since our friends in Congress requested reconsideration of this matter. During this time we have been assured periodically that action would be taken on the basis of additional information which proved that a technical error had been made by the Treasury Department in its compilation of the J list. For over 2 years we have been unable to get a decision from the Treasury Department and as a result, on April 17 of this year another letter to the Secretary of the Treasury was sent by the entire Alabama congressional delegation. A copy of this letter is also attached.

And I would like to have that entered into the record if I may, Mr. Chairman.

Mr. GIBBONS. Yes, sir, it will be included in the record at this point.

(The document referred to follows:)

APRIL 17, 1970.

DAVID M. KENNEDY,
*Secretary of the Treasury,*
*Washington, D.C.*

DEAR MR. SECRETARY: Two years ago we wrote to Secretary Fowler concerning the lack of marking on imported cast iron pipe to indicate the country of origin, and asked that he reconsider a decision made by the Commissioner of Customs that cast iron soil pipe and fittings were properly exempted from marking. In our letter, we cited the most blatant case whereby some pipe was being imported with a well-known American name but without the name of the country.

On August 9, 1968, the Treasury Department informed us that it had found that imported pipe marked "Salem" had been co-mingled with American-made pipe, and that the importer had been told either to delete the name or add the name of the country of origin. The importer eventually did delete the name, but this did not stop the co-mingling of foreign pipe with American-made pipe, which action was made possible by the very absence of any mark to indicate country of origin.

It was this latter point that we were trying to make in our letter. The Salem case was cited only as a more blatant example.

We understand that the American manufacturers of cast iron soil pipe and fittings sent representatives to discuss the problem with your General Counsel, and in these conversations it was brought out that cast iron pipe and fittings should never have been placed on the so-called J-List in the first place. The reasoning behind this and the details were given in a letter addressed by the Cast Iron Soil Pipe Institute to the General Counsel under date of December 1, 1969. The Institute was informed that the letter was referred to Customs for investigation since it contained "new evidence."

From the information we have at hand, it appears that an error was made when the J-List was drawn up in 1939, since cast iron pipe did not meet the criteria established by the Customs Administrative Act of 1938 which amended Section 304 of the Tariff Act of 1930. That amendment covered only those items that had been imported in *substantial quantity* during the period 1932 through 1936 and which had not previously been required to be marked. The Commerce Department's statistics indicate that imports of all cast iron pipe and fittings of any type during that period were extremely small. Furthermore, the marking of cast iron soil pipe and fittings had been required for two whole years prior to the publication of the J-List and more than a year prior to the passage of the Customs Administrative Act.

There is precedent for removing an item from the J-List. Furthermore, this has little effect upon our foreign trade relations since it neither changes a tariff rate nor introduces a quota. It was the original intention of the Congress, as expressed in the Tariff Act that all imported goods should be clearly marked so as to indicate their country of origin wherever feasible. We hope, Mr. Secretary, that you will take appropriate action to remove cast iron soil pipe and fittings from the list of exempted items.

With appreciation and best wishes, we are,

Sincerely,

John Sparkman and James B. Allen, U.S. Senators; George W. Andrews, Jack Edwards, M.C., Robert E. Jones, M.C., Tom Bevill, M.C., John H. Buchanan, Jr., M.C., Bill Nichols, M.C., William L. Dickinson, M.C., and Walter Flowers, M.C.

Mr. PERRY. This letter requests that action be taken to correct the previous error.

A perfunctory acknowledgement of this letter was sent to Senator Sparkman but as of today no action has been taken.

During this 2 year period we have as an industry suffered because of the Treasury Department's procrastinations. As an illustration of what this delay has done, according to the Department of Commerce statistics, in the first quarter of 1968 the Polish exporters of fittings raised their average declared value nine percent and this reduced the tonnage exported to the United States by 43 percent. In the first quarter of 1969, they further increased their declared value by 14 percent over 1968 and their tonnage dropped 50 percent from the level of 1968. Now in the first quarter of 1970 they reduced their declared value 21 percent below the 1969 figure and 3 percent below the 1967 average declared value. By so doing, they increase their tonnage to the United States by 450 percent above that for 1969 and 55 percent above the figure for 1967.

From the foregoing you will understand why our industry feels that there is a great need for congressional supervision of those who administer the acts which the Congress so laboriously passes and that any trade legislation, whether a new law or an amendment to existing law, should embody specific provision therefore.

Unfortunately the executive branch of our Government has proliferated so greatly that guidance from the top grows thinner and thinner. While members of the Congress must report to the people every 2 years, those who have the power of administering their acts continue in office without popular sanction and are reluctant to make changes despite a constantly changing situation.

In the field of foreign trade, which is the prime topic of discussion before this committee at present, we find the Department of State has not changed its views since 1935; that those who carry on negotiations at sessions of the GATT, have no knowledge of the industries on which they are making concessions and do not wish to have industry advisers;

and finally that those in the Treasury Department who are supposed to enforce the tariff laws, which includes a guard against dumping, are being arbitrary and capricious in carrying out the laws.

One of the principal stumbling blocks under existing regulations is the lack of any mandatory length of time given the Treasury Department to complete its investigation of dumping cases and requests for countervailing duties. As we have said, the Department took 22 months to investigate the industry's complaint against Poland and then certified only half of it to the Tariff Commission.

Since the law specifies that the Commission must make a finding of injury or noninjury within 3 months, surely the Treasury should be confined to not more than 6 months and such a limitation would benefit importers as well as domestic industry and should become a part of any trade bill which you gentlemen consider.

India has been shipping cast iron soil pipe and fittings into the United States for a long time at declared values which are obviously too low for even a country with low wage level. We made a thorough investigation and found that the Government of India subsidizes exporters of such pipe and fittings by at least 10 percent and they only ship via Indian flag vessels. We even provided the Bureau of the Customs with a copy of an import manifest on which it was stated that there was "cash assistance paid by the Government of India." Under existing law this is an item which should have received the immediate attention of the Customs Inspector in charge. A year ago we submitted all of this to the Treasury Department and we are reliably informed that they have not yet even commenced work on cases as early as June 1969. In the meantime imports have continued unabated under the same method.

The fair international trade bill, introduced by more than 65 members of this House, contains a special section concerning those products which are not easily transported over a large country and which, therefore, are more subject to injury within one or more regional marketing areas. The dumping case against Poland, for example, indicated what has happened in the northeastern United States where 20 percent of the building construction is located.

An equal argument may be made for other coastal areas such as California, Oregon, Washington, and Florida. Under this bill which embodies flexibility, the foreign exporters will still reap the benefits of any increase in the total U.S. market and in all marketing regions within that total market.

In summary, Mr. Chairman, the manufacturers of cast iron soil pipe and fittings strongly recommend that:

1. There must be reciprocity in the conduct of our foreign trade which will give to our domestic producers the same protection as that enjoyed by foreign exporters, including the recognition of regional markets; border and commodity taxes imposed by the other country and other nontariff barriers;

2. That in our negotiations such as GATT, we must lead from strength and our delegates carefully instructed not to give up any concessions without first receiving congressional approval; and

3. That the Congress must carefully delineate the regulations to be enforced by the executive branch to insure that the equities of all parties are safeguarded, and that prompt administrative action be

taken to satisfy grievances which are properly presented such as the marking of foreign products.

Please accept the gratitude of our industry for the valuable time and attention given us today and if there are questions we should be happy to answer to the best of our ability.

If we are in repetition of testimony we gave you 2 years ago I can assure you that for some reason or other the medical assistance given to our, if you will pardon the expression, bellyache, has not done very much to alleviate it.

Thank you very much.

Mr. GIBBONS. It does not look as if they have even found you. I am surprised the way you say you get ignored by these agencies. Apparently you have been in this a pretty long time. Is this the customary way that they treat you?

Mr. PERRY. That is the usual treatment we get. We have been fighting this thing for a long time, I think this industry has been one of the most active in pursuing the avenues that are open to us under the existing laws of any industry that I know of.

We get pretty much the same treatment right on down the line.

Mr. CONABLE. Mr. Chairman.

Mr. GIBBONS. Yes, sir.

Mr. CONABLE. Mr. Perry, has there been any justification for the long periods of time involved here when your complaints have not been acted on?

Has Treasury for instance said that the backlog of work was such that it would take them a year to get to it or anything of that sort or have they simply ignored you?

Mr. PERRY. I am going to ask Mr. Hunt, our foreign trade consultant, to answer that question. I think he can give you first hand experience on them better than I could.

Mr. HUNT. Congressman, I have followed this for a long time and I have had a lot of dealings with the Treasury Department. I have now come to the conclusion that some of the things you hear back in your constituency about those fellows down in Washington not doing anything may be coming true.

The case in the Treasury Department is such that in the first place in the Customs you have always the same people year in and year out regardless of any change in the political or economic——

Mr. CONABLE. That is true of most of the Government, not just the Judiciary Department.

Mr. HUNT. It is true that the Customs does not have sufficient employees either from the man on the dock right on up to investigators at the top who investigate dumping and so forth.

They will tell you that they simply don't have enough people. I feel however that this can be overcome.

Now after the Customs finishes it goes to the Assistant Secretary of the Treasury, and there you get into policy. In the *Polish* case we found that there was a tendency to please the Poles. There was a reluctance to do anything which might cause them to be accused of protectionism.

You will recall a couple of years ago we were in the midst of trying to promote trade with Eastern Europe. That trade was actually designed——

Mr. CONABLE. Do they advance policy considerations as a reason for not answering you? Is that your analysis of the reason for their not answering? I am wondering what you have been told during this period of time? That they could not get to it because of the pressure of work?

Mr. HUNT. Well, the avoidance of any appearance of protectionism was told me 2 or 3 years ago.

Mr. PERRY. He is interested in what then did they tell you about specific instances that we have applied to them for.

They gave various excuses for that, they say we are giving this consideration, we have it under advisement. That is about as far as you get with them.

Mr. HUNT. I will tell you something about this marking case. The J list, if you know what it is, it is paragraph J, a list of several paragraphs, it is an amendment to the Tariff Act passed in 1939.

Now it specified that certain products that had been imported in substantial quantity over a 5-year period, 1932 to 1936, and which had not been required to be marked should be exempted thereafter.

We have proved that they were not imported. There was a mistake made at that time. The former general counsel, Mr. Eggers, assured me that he would come up with a decision on this before he left to run for Governor of Texas.

He failed to keep his promise and sent it back to the Assistant Secretary who has been sitting on it ever since despite this letter from the congressional delegation of Alabama to the Secretary of the Treasury and this I feel is arbitrary and capricious and nothing less than that.

You ask what is the attitude. That is it.

It so happens that there is an Assistant Commissioner of Customs in charge of regulations who hates change of any kind. There is an Assistant General Counsel of the Treasury who hates change of any kind.

Mr. CONABLE. But I am sure they don't hate enforcing the law?

Mr. HUNT. They feel they are enforcing the law in this case. They have taken the attitude there must be some sort of statute of limitations on mistakes.

Mr. CONABLE. That is all, Mr. Chairman.

Mr. GIBBONS. Is there anybody here representing the Treasury today?

Well, let the record show that we would like to have the Treasury respond to this testimony sometime. We will have them along here pretty soon and try to find out what their story is, sir.

Thank you very much.

Mr. HUNT. I hope you will abide by that, Mr. Chairman, that you get Mr. Rossides and his assistants or the general counsel here because I think they need a little questioning.

Mr. GIBBONS. You know I always tell my employees, "You are working for Uncle Sam and all those people out there are paying your salary. You had better take care of them or get another job."

I feel the same way about the bureaucrats in the executive branch.

We appreciate your coming here. We are sorry you have had this trouble.

Thank you very much for your testimony.

Mr. PERRY. Thank you, Mr. Chairman.

Mr. GIBBONS. I wish the staff to make a note of that problem with the Treasury there and let us dig into it and see what is happening.

(The following letter was received for the record:)

THE DEPARTMENT OF THE TREASURY,
*Washington, D.C., July 16, 1970.*

Mr. JOHN M. MARTIN, Jr.,
*Chief Counsel, Committee on Ways and Means,*
*House of Representatives, Washington, D.C.*

DEAR MR. MARTIN: I appreciate your letter of June 3, enclosing an excerpt from the transcript of the hearing record of the Committee on Ways and Means for June 1 which contains the testimony of Mr. J. Wiley Perry, Jr., of the Cast Iron Soil Pipe Institute.

Pursuant to your request, there is attached a statement commenting on Mr. Perry's testimony. It would be very much appreciated if the attached statement could be included in the hearing record on this subject.

Sincerely yours,

EUGENE T. ROSSIDES.

STATEMENT OF TREASURY DEPARTMENT IN RESPONSE TO TESTIMONY BEFORE COMMITTEE ON WAYS AND MEANS ON JUNE 1, 1970, BY REPRESENTATIVE OF CAST IRON SOIL PIPE INSTITUTE OF WASHINGTON, D.C.

The representatives of the Institute have made a number of allegations to the Committee which will be treated seriatim below. The Treasury Department first wishes to express its appreciation to the Committee for being offered an opportunity to respond to these allegations. This is typical of the fair treatment which the Departmnt has invariably experienced from the Committee, its Chairman, members and staff over many years under different Administrations. The comments, for reasons of simplicity, will be set forth below under different subject headings.

ANTIDUMPING

The antidumping cases referred to by the Institute members relate allegations of dumping of cast iron soil pipe from Mexico, Australia, Great Britain, and Poland which arose at different times.

The first of these cases involving pipe from Mexico was concluded in 1952. This, of course, was at the time that both the sales at less than fair value and the injury aspects of the investigation were handled by the Bureau of Customs and the Treasury Department. The case was closed on the grounds that no injury was being suffered by a United States industry.

In 1954, responsibility for conducting injury investigations was transferred to the Tariff Commission, leaving with the Treasury Department authority to conduct fair value investigations. In 1956, after appropriate investigation, a determination was made that cast iron soil pipe from the United Kingdom was being sold at less than fair value. The Tariff Commission found that an industry in the United States was being injured by these imports and subsequently a dumping finding was issued. This finding was revoked in 1964 upon the basis of evidence received that no dumping had taken place from the time the dumping finding was issued. So far as this Department is aware, there has been no dumping of cast iron soil pipe and fittings from the United Kingdom since the revocation of the dumping finding against that country.

In January of 1963, the Bureau of Customs was requested to investigate imports of cast iron soil pipe from Australia to determine whether or not they were being sold in the United States at less than fair value. In January of 1964, a determination was made that these imports were in fact being sold at less than fair value, and the case was referred to the Tariff Commission for an injury investigation. In April of that same year, the Tariff Commission informed the Secretary of the Treasury that it had determined that the industry in the United States was not being injured by reason of these importations of such merchandise into the United States. Consequently, the case was closed.

In November of 1965, the Cast Iron Soil Pipe Institute filed a complaint with the Commissioner of Customs that cast iron soil pipe and cast iron soil pipe fittings from Poland were being sold to the United States at less than fair value prices. This was the first time that a domestic complainant had requested action against the pipe fittings from any country. It was also the first of this particular series of cases involving a controlled-economy country.

For some time it has been the policy of the Treasury Department in cases involving controlled-economy countries to base its fair value determination on the prices of such or similar merchandise being sold in the home market of a free market-economy country. The economic conditions and degree of control

existing in Iron-Curtain countries is such as to preclude a determination of the "fair value" in the usual fashion. As an alternative, if there are no home market sales of such or similar merchandise in a free market-economy country, resort is made to the export sales from the free market-economy country as a basis of comparison. In the case of the cast iron soil pipe and cast iron soil pipe fittings from Poland, sales to the United States by the exporters discussed below were used as a basis for making fair value comparisons.

Exporters from several countries were shipping cast iron soil pipe to the United States at this time. It was determined that the pipe being exported to the United States from France was most similar to that being exported from Poland. Consequently, sales to the United States of French pipe were used as a basis of comparison. With respect to the fittings, however, sales to the United States of such or similar fittings were being made only from Mexico. These sales formed the basis of fair value for the fittings. In both instances adjustments were made to return the two prices to an equivalent level of sale. In the case of the comparison between French pipe and Polish pipe, further adjustment was made because of quality differentials. Comparison of the prices revealed that both the pipe and the pipe fittings were being sold to the United States at less than their consructed value based upon the French pipe and the Mexican fitting prices.

Notice of these findings was published in the Federal Register on February 15, 1967, announcing a tentative determination that both products were being sold at less than fair value within the meaning of the Antidumping Act. Subsequent to this tentative determination, the exporter revised its prices to the United States on cast iron soil pipe fittings to eliminate the margins of dumping that had previously existed. It did not choose, however, to take similar action with respect to the pipe itself. Consequently, under the policy in effect at that time, a final determination was made that the cast iron soil pipe was being sold at less than fair value within the meaning of the Antidumping Act, and that case was referred to the Tariff Commission for an industry investigation. With respect to cast iron soil pipe fittings, however, a final determination of no sales at less than fair value was made, and the case was closed. On September 5, 1967, the Tariff Commission determined that an industry in the United States was being injured by the importation of the soil pipe at less than fair value, and subsequently a finding a dumping was issued which is still in effect.

In a May 22, 1970, letter the Treasury Department advised the Chairman and each of the other members of the Committee on Ways and Means of an important change in the administration of the Treasury's policy with respect to price assurances as a basis for closing out antidumping investigations. If the new policy had been in effect at the time the determination was issued with respect to pipe and pipe fittings from Poland, it is probable that the pipe fittings, as well as the pipe, would have been sent to the Tariff Commission for an injury determination.

The representatives of the Soil Pipe Institute stated in their testimony that in the first quarter of 1970 Polish exporters reduced the declared value of cast iron soil pipe fittings 21 percent below the 1969 figure and 3 percent below the 1967 average declared value; that by so doing they increased their tonnage to the United States by 450 percent above that for 1969 and 55 percent above the figure for 1967.

The Department notes that no allegation has been made by the representatives of the Institute that the Polish exporters are dumping pipe fittings in the United States. It is the responsibility of the Treasury Department (jointly with the Tariff Commission) to administer the antidumping law as an anti-price discrimination statute. The department has already gone on record with a public announcement of its intention to implement this statute vigorously. The details of how it proposes to do so are set forth in the Department's letter of May 22, 1970, to each member of the Committee on Ways and Means.

The Department also wishes to note that it has had no record of a violation of price assurances, once such an assurance has been extended and accepted. If the representatives of the Soil Pipe Institute intend to imply that pipe fittings are now being dumped in the United States despite the assurances to the contrary extended by the Polish exporters, the Treasury invites the Institute to submit directly to the Department any evidence it may have to this effect. The Treasury wishes to go formally on record assuring the Committee that it will give a top priority to any such antidumping "complaint."

The allegation is also made by representatives of the Soil Pipe Institute that the determination of no sales at less than fair value with respect to soil pipe fittings from Poland was made because of a "tendency to please the Poles. There was a reluctance to do anything which might cause them [the Treasury Department] to

do anything which might cause them to be accused of protectionism. You will recall a couple of years ago we were in the midst of trying to promote trade with Eastern Europe."

The Treasury Department considers it pertinent to observe in light of the above statements that its price assurance policies were dictated by reasons relating solely to the administration of the antidumping law. The decision with respect to fittings in the Polish case reflected the assurance policy as it was implemented at that time. Although individuals may disagree with particular Treasury decisions in antidumping cases, the Department consciously makes every effort to render even-handed justice. Now that the price assurance policy has been revised, the new policy will likewise be administered with even-handed justice.

MARKING OF CAST IRON SOIL PIPE

Congress requires by statute that imported merchandise normally be conspicuously marked to indicate its country of origin. A number of exceptions are provided for. One of these, referred to loosely as the "J List," exempts from marking those items which were imported in substantial quantity during the period 1932–1936, and which were not required to be marked at that time. Cast iron soil pipe and fittings are included under the description "pipes, iron or steel, and pipe fittings of cast or malleable iron" among the items exempted from marking under this provision.

During the past Administration the Cast Iron Soil Pipe Institute requested removal of cast iron soil pipe and fittings from the "J List" exemption. One of the examples cited to support this request was evidence indicating that the Salem Pipe and Iron Manufacturing Company in New Jersey was importing pipe from Poland with the marking "Salem" on the imported pipe. The imports were then commingled by the Salem Pipe and Iron Manufacturing Company with their domestically manufactured products and sold to domestic purchasers. If true, the domestic purchasers could easily be misled into purchasing Polish pipe under the misapprehension it was a domestically produced product.

The Treasury Department, after investigation of the facts, concluded that the allegation of the Soil Pipe Institute was substantially accurate. Promptly upon reaching this conclusion, it directed the Salem Pipe and Manufacturing Company to refrain from the importation of pipe with the marking "Salem" or any other marking which would tend to deceive as to country of origin.

However, the Soil Pipe Institute considered this action inadequate. The Institute was of the opinion that cast iron soil pipe and fittings had been erroneously included in the "J List" in the first place, and therefore should be eliminated therefrom. The result of this action would be to require that all imports of cast iron soil pipe and fittings be individually marked to show their country of origin. In essence, the Institute was questioning the validity and legal sufficiency of an action which had been taken by the Treasury Department more than a quarter of a century earlier in execution of a specific statutory provision.

Representatives of the Institute pressed their viewpoint on the General Counsel of the Treasury Department early in the present Administration. The then General Counsel of the Department invited the representatives of the Institute to submit what evidence they could collect to buttress their contention that the original inclusion of cast iron soil pipe and fittings on the "J List" was an administrative error; he promised that any such evidence would be given due consideration.

The evidence was submitted; however, the then General Counsel resigned before making a decision on this issue. The matter was accordingly referred to another official of the Department who had to consider the entire question *de novo*.

The Department has just reached a tentative decision on the question which is set forth in a Federal Register Notice, a copy of which is attached to this statement. The Department has tentatively concluded that cast iron pipe and fittings were erroneously included in the "J List" on the basis of evidence submitted to the Treasury by the Institute. The Treasury is allowing the customary 30 days from the date of publication of the Federal Register Notice for comment on this tentative conclusion. After studying the comments received, it will then make a final determination on this issue.

COUNTERVAILING DUTY COMPLAINT

The representatives of the Institute have submitted an allegation to the Department that cast iron soil pipe and fittings imported from India are benefiting from the payment or bestowal of a bounty or grant within the meaning

of the countervailing duty law. This submission was filed by the Institute on June 23, 1969.

Thus far, very little progress has been made in inquiring into this matter. The problem is one of priorities and manpower. The present Administration has increased from five to fourteen the number of personnel assigned to the administration of the anti-price discrimination statutes for which the Treasury Department is responsible. It takes a considerable period of time, a minimum of six months, before the newly-assigned personnel can produce at peak efficiency.

Meanwhile, the Treasury Department is confronted with a substantial backlog of antidumping and countervailing duty inquiries, some of them reaching as far back as 1968.

The Department is prepared to assure the Committee on Ways and Means that if it fails to make adequate progress in achieving a vigorous and prompt administration of those statutes for whose administration it is responsible, it will double its request for the funding of personnel in this field for Fiscal Year 1972. The Treasury recognizes that the backlog problem in this area requires urgent attention. It is receiving such attention and will continue to do so until it is resolved.

RECOMMENDATIONS FOR SPECIFIC STATUTORY CHANGES

The representatives of the Institute have made several recommendations to resolve the problems with which they find themselves confronted. The Treasury Department would prefer to defer comment on these and similar recommendations with the understanding that it will have an opportunity, in due course, to discuss these questions directly with the Committee.

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[From the Federal Register, Vol. 35, No. 132—Thursday, July 9, 1970]

DEPARTMENT OF THE TREASURY—BUREAU OF CUSTOMS (19 CFR PART 11) CAST IRON PIPE AND FITTINGS

PROPOSED REVOCATION OF EXCEPTION OF CERTAIN ARTICLES FROM REQUIREMENTS OF MARKING TO INDICATE COUNTRY OF ORIGIN

Notice is hereby given that the Bureau of Customs is considering whether cast iron pipe and fittings are required to be marked to indicate the country of origin in accordance with the provisions of section 304 of the Tariff Act of 1930. These articles are encompassed within the description "Pipes, iron or steel, and pipe fittings of cast or malleable iron" listed in T.D. 49896 (1939) (4 F.R. 2509) among the articles found, pursuant to section 304(a)(3)(J), to have been imported in substantial quantities during the 5-year period immediately preceding January 1, 1937, and not required during such period to be marked to indicate the country of their origin, which articles are now excepted from the marking requirements by § 11.10(a) of the Customs Regulations (19 CFR 11.10(a)).

Data submitted to the Bureau indicates that a total of approximately 2,758 tons of cast iron pipe and fittings was imported into the United States during the 5-year period preceding January 1, 1937. This constituted less than one-tenth of 1 percent of the total domestic production during that period and approximately 3 percent of total imports of other pipes and tubes during the same period. The Bureau has tentatively concluded, therefore, on the basis of all information presently available, that cast iron pipe and fittings were not imported in substantial quantities in the 5-year period immediately preceding January 1, 1937, and, as such are not entitled to continued exemption from country of origin marking requirements under section 304(a)(3)(J).

Consideration will be given to all data, views or arguments which are submitted in writing to the Commissioner of Customs, Washington, D.C. 20226, within 30 days from the date of publication of this notice in the FEDERAL REGISTER. No. hearing will be held.

[SEAL]

EDWIN F. RAINS,
*Acting Commissioner of Customs.*

Approved: July 2, 1970.

EUGENE T. ROSSIDES,
*Assistant Secretary of the Treasury.*

[F.R. Doc. 70-8759; Filed, July 8, 1970; 8:53 a.m.]

Mr. GIBBONS. The committee will stand adjourned until 2 o'clock, at which time we will take the testimony of Mr. Joseph P. Malony first.

(Whereupon, at 12:40 p.m., the committee recessed, to reconvene at 2 p.m.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. Sam Gibbons presiding.)

Mr. GIBBONS. The committee will come to order.

The next witness will be Mr. John J. Sheehan.

## STATEMENT OF JOHN J. SHEEHAN, LEGISLATIVE DIRECTOR, UNITED STEELWORKERS OF AMERICA

Mr. GIBBONS. Mr. Sheehan, will you identify yourself for the record, please?

Mr. SHEEHAN. I am John J. Sheehan, legislative director of the United Steelworkers of America. Mr. Malony wants me to extend his regrets as being unable to appear here on this particular day.

Mr. GIBBONS. We are sorry to hear that Mr. Malony cannot be with us. You are certainly recognized.

Let me acquaint you with the ground rules. We will have to limit your testimony to 15 minutes, and the next couple of witnesses to 15 minutes.

Mr. SHEEHAN. I will try to hurry, Mr. Chairman.

The union appears before the committee for the purpose of indicating its support for legislative quotas which would be imposed upon imports of iron and steel into this country. That is the purpose of the Vanik bill and also the purpose of the orderly marketing bill introduced by Congressman Burke, although that bill is applicable to more industries than steel.

The implementation of a balanced and orderly trade in steel is, however, actually being carried out and fostered by the voluntary quota agreements initiated by the Japanese and European steel industries in January 1969.

We support these plans to establish reasonableness in steel trade because we are genuinely disturbed about the short-term adverse impact upon current employment by any rampant and accelerated importation of foreign steel. The long-term impact will have to be evaluated in view of the manpower policies of the United States and the future needs of job growth for American workers. However, I hasten to add our rejection of the justification of continued unrestrained reciprocity as the basis of our trade policy as expressed by Mr. Arthur K. Watson, chairman of the board of IBM World Trade Corp., when he testified before the Joint Economic Committee earlier this year:

> We are giving nearly half of our young people some form of post high school education.
>
> In Europe, by contrast, the figure would vary from 10 to 20 percent and in the developing nations one to five percent in the same age group.
>
> It would be absurd, I believe, to predicate future (trade) policy on the idea that we are raising another generation of millhands in America.
>
> We simply aren't, we do not want to, and any rational policy for the 1970's should recognize this broad and basic change in the character of our people.

Mr. Chairman, we aren't raising chairmen of IBM companies either when we realize that almost one-fourth of our population is still subsisting on or at incomes around the poverty level.

You have no doubt been aware of the IUD Conference on the "Developing Crisis in World Trade." And it is just that—a crisis. But it is one, not so much because we have been pursuing an erroneous trade policy since the rejection of the Smoot-Hawley economic isolationism of the early part of the century. Actually, the principle of negotiated reciprocity in trade relations has served this Nation's economic policy well—up to now. But like all practical policies, it can be overused and outworn. It is now time to incorporate additional guidelines into our trade negotiations. Besides reciprocity, there must also be balance. By articulating this position, we hope to indicate that we reject the two extremes of either Smoot-Hawley protectionism, wherein there would be drastic reduction of foreign trade, or free trade expansionism, wherein there would be serious curtailment of domestic production in certain basic industries employing large segments of American workers.

Our union, which supported reciprocity in 1962, supports balanced reciprocity today because we are convinced that our jobs are at stake. Reciprocity has done well for the economic interests of the country and its workers in that it has enhanced economic growth. But under its banners today, we see the disappearance of jobs as abnormal levels of imports are reached and as American capital seeks investments in foreign markets. In other words, economic interests may continue to be served but not the workers. Hence, our insistence upon a balanced reciprocity.

LEGISLATIVE QUOTAS

The last time our union appeared before this committee we were urging the enactment of legislation to place quota restrictions upon steel imports. We do so again despite the fact that, in the interim, a voluntary quota was devised. It is necessary to seek further legislative relief because there are indications that there are domestic and foreign resistance to a continuation of that agreement. This prospect we view with great trepidation.

Although compliance with the restraint agreement can be criticized on the grounds that there were violations of the product mix, that is, there were vast increases in imports of stainless, alloy and high-speed steels, and geographical pattern of entry was imbalanced by heavy imports on the west coast, the overall tonnage limitation was observed. On balance we support the agreement and anticipate even greater compliance this year.

However, due to the temporary super boom conditions over seas, last year was not an adequate test of the effectiveness of the agreement. That test will come in 1971, the last year of the agreement—if not sooner. At a time during which we will need the restraint, the agreement will be coming to an end and all the fears which we had—as dramatized by the import picture of 1968—will be realized because the agreement will have expired.

These crisis conditions in world steel led Dr. Hans-Gunther Sohl, chairman of August Thyssen-Hutte AG to remark at the October Conference of the International Iron and Steel Institute (IISI) that member firms must give heed to the problems of other nations:

The flow of ideas in the IISI has helped to sharpen awareness of these matters. That this mutual understanding can lead to practical results outside the boundaries of the institute is shown by the voluntary restraint accepted by the Japanese and European steel industries with regard to their exports to the United States.

The notification to the American Administration of the intention of these industries to reduce deliveries to the American market is a good example of the way in which mutual help can be given, without protectionism, in times of temporary difficulties.

Those "temporary difficulties" have not evaporated but have only temporarily been suspended. Some of the factors contributing to the momentary relief from the steel import problems are as follows:

1. The steel industry overseas recently has been booming in practically every country, and especially in Japan and Western Europe. Because of rising demand for steel in these countries, instead of complaining about overcapacity, most producers began worrying about fulfilling their commitments. As an inevitable consequence of rising domestic demand, the pressure to seek export outlets diminished.

As a result, our own exports increased rapidly. Thus, American steel mills are currently exporting more steel to Canada, to Italy, and to the United Kingdom than those countries are exporting to the United States. Our exports to West Germany are almost as large as hers to us. Indeed, we are even exporting substantial quantities of steel to Belguim and Luxembourg whose steel industries serve mostly export rather than domestic markets.

This surge of exports, however, is not as rewarding as it might seem. Steel companies generally have more finishing facilities than raw steel capacity. This is to permit flexibility in product mix. When demand is excessive the companies can make use of all of their different finishing lines by importing semifinished steel in the form of ingots, blooms, slabs and the like. This is precisely what is now happening on an international basis. More than half of our exports to West Germany, to the United Kingdom, and to Italy, for example, are in these semifinished forms. This represents a kind of distress selling on the part of American producers, for semifinished steel is not profitable steel, and if our companies had orders for their capacity in finished steel they would never export this semifinished steel. Out of the 2,043,000 tons of exports of steel products during the first 3 months of this year, 758,000 tons consisted of semifinished products.

The situation with respect to imports, on the other hand, is just the opposite. Foreign producers are exporting to us their best, most highly priced steels. Thus, the average value per ton of imported steel for the first 3 months of this year was $153 compared with $124 in 1969, and $110 in 1968. Part of this, of course, reflects increased prices, but most of it is due to a switchover to stainless, alloy and high-speed steels.

The value of steel exported from the United States, on the other hand, has been going down. Thus, in the first 3 months of this year the value of steel exported from the United States was $134 a ton compared with $156 a ton for the same period last year. Our steel companies are glad to accept these orders, for, otherwise, large parts of their plants would be idle and workers would be laid off. But we are not deceiving ourselves.

Accompanying the rising overseas demand for steel, there has been a further expansion of the steel industry itself, particularly in Western

Europe. Japan estimates a capacity of 150 million tons in 1975 as compared with 86.1 million tons in 1969.

According to a report in the American Metal Market, "The Japanese Government previously estimated that the nation's steel needs—both domestic and export demands—would reach 100 million tons in the 1971 financial year, but the level may now be attained 1 year earlier."

2. At the same time, purchases of steel by the Communist-bloc countries are reported to have increased rapidly.

3. What is more, the availability of U.S. steel-producing capacity, both to meet domestic needs and for export, increased last year. On the one hand, the strike-hedge buildup of the previous year had disappeared. On the other hand, toward the end of last year, auto production cutbacks and reduced demand for steel in other categories had lessened domestic steel needs.

During the first quarter of 1970, steel imports only slightly exceeded U.S. steel exports. However, during March, imports grew rapidly while exports stood still. We do not know whether this is a harbinger once again of a severely adverse trend. The overseas boom, which has given us brief relief from steel imports, will not last indefinitely. In fact, because part of this steel consumption boom has involved a vast expansion in overseas steel capacity, rising pressure from foreign imports is inevitable as the overseas boom subsides. To the degree that this import pressure also coincides with reduced steel demand in our own domestic market, its impact upon the jobs of our members can be very great indeed.

This reversal can come about in a matter of months. Most of the other countries are experiencing not only the highest prosperity in their history, but also disquieting inflation. Most of them have inaugurated measures to cool down their economics. As soon as these begin to take effect their steel industries will once again be able not only to supply all of their home demand, but also there will be more than an adequate excess for export.

Worse: Because of the high current demand, most foreign producers are expanding at a feverish rate. Japan, for example, added 15 million tons of capacity to its steel industry last year. That is more than we have ever been able to do even under the stress of war. So return to normalcy means return to excess capacity. And, as always, the place to get rid of this surplus steel, by, it would seem, universal consensus, is the United States. Such an assault upon the American steel market would result in mass unemployment in our steel industry and this would precipitate a whole string of economic evils which I need not elaborate to you. The policy of our steel employers, contrary to the practice abroad, is to lay off workers immediately following a reduction in orders.

As a matter of fact, Michael Jensen, editor of the American Metal Market, wrote:

> Steelmen note that at a meeting in October in Tokyo of the IISI, Charles Baker, the Secretary General, departed from his prepared text and warned the members of a coming deluge of steel.

For all of these reasons, it is of crucial importance to American steelworkers that legislation be enacted to insure reasonable governmentally imposed ground rules for orderly U.S. market penetration. Passage of such legislation is particularly essential if adequate and

continuing voluntary international import-limitation agreements cannot be maintained.

We have, therefore, encouraged the extension of the voluntary agreement for at least another 2 years. An anticipated diminution in the overseas superboom and the expected collective bargaining sessions in mid-1971 will put a heavy strain upon compliance with the restraint agreement in its third and final year. If there were any realistic reasons for the establishment of the agreement in 1969, those reasons will be even more pressing in 1971.

We would, therefore, recommend that the committee, during its current deliberations, consider an enactment of the Vanik bill for a 2-year period to be triggered into effect automatically in January 1972 if there is a failure of the voluntary agreement to be extended for the 2-year period, 1972–73. The original Vanik bill covered a period of 5 years, 3 years of which will have been covered by the voluntary agreement.

Under such a situation we would have the substance of the restraint for which we petitioned in 1968 and the covered period necessary either to provide the import relief for the steel industry to replenish itself or to give a proper evaluation to whether more formal and multilateral governmental protection is required for the domestic steel industry.

CAPITAL INVESTMENT

When we last testified, we noted that the industry needed an assured share of the expanding market so as to continue a strong investment policy in new equipment essential to the industry's continuing technological advancement, thereby enabling it to compete with overseas steel more successfully. Although 1969 represents the third consecutive year of capital outlays exceeding $2 billion, it is not as high as the estimated $2½ billion for that year. Modernization investment for 1970 is projected only at $2.2 billion.

Government policy currently is one of advocating a cutback in capital expenditures in its drive on inflationary pressures. It no doubt does have an inhibiting impact upon steel investments. We note this factor merely to indicate that the import-respite cannot be fully utilized for capital investment because of our own domestic situation.

Thus, again we reiterate there is need for an extension of the agreement or for legislative protection to accomplish one of the stated purposes for the restraint, namely, to provide a lead period for the industry to modernize.

CONGLOMERATION AND MULTINATIONALIZATION

When we last appeared before the committee we described the movement to conglomerate in the steel industry. From the stockholders point of view, perhaps this is a good move in order to enhance dividend returns. But, from the workers point of view, it spells uncertainty. Witness the uneasiness over the LTV takeover of Jones & Laughlin.

We find that in this industry there is a tendency to move toward multinationalization.

Another feature article in the May 12, 1970, issue of American Metal Market is entitled "The Name of the Game Today in Steel: Diversifi-

cation." After identifying United States Steel, Allegheny Ludlum, Interlake Steel, and Wheeling-Pittsburgh Steel, the article concludes:

> And so it goes, firm after firm is expanding its product lines. Much in the same manner of prudent farmers, corporation executives today are "sowing" a variety of "crops", no longer pinning their profit hopes merely on one category of products.

We feel our foreign trade policy is accelerating this economic phenomenon. We would hope that the committee will be as concerned about this type of growth as we are. We have already testified before the Senate Antitrust Subcommittee concerning its adverse impact upon collective bargaining, jobs and pension plans.

Another development somewhat similar to this type of economic concentration has been the emergence of the multinational corporation. Charles Baker of IISI commented upon the growing internationalization of the world steel industry:

> If more and more of the world steel is produced in remote areas . . . I can visualize that within 10 years, 30 to 35 percent of the primary steel consumed in the United States could originate outside the country.
>
> Let me hasten to add that this does not mean that it would all be 'imported steel' in the sense that we know it today. Perhaps half, even more than half, of this overseas steel one day may very well be produced abroad by American companies who are important domestic producers too.

It is that anticipation, Mr. Chairman, that really causes us a great deal of concern. If our trade policy is accelerating this in the steel industry, as perhaps it has in other industries, we are very much concerned about it, irrespective of what the stockholders point of view may be.

If our union was concerned about 18 percent of the market being penetrated by overseas steel in 1968, what kind of a prospect for job security should we entertain if penetration is increased 100 percent within 10 years? There would be, indeed, a developing crisis.

### PRICE INCREASE

Our union has been petitioning for import quota relief to protect jobs of steelworkers. Many have criticized this move in that it would have an adverse effect upon consumer prices. As a matter of fact, recent comments reported in the press indicated that the Nixon administration officials were considering permitting increased steel imports to help squelch the surge of domestic price boosts.

It is noteworthy that price increases occur for a variety of reasons. Most particularly, this is true because of rising demands in relation to supply, a condition which has characterized the steel industry worldwide during the course of the last year. We also acknowledge that rising costs can, perhaps, justify rising prices if necessary to maintain an equitable margin of profit. In the long run, however, the welfare of the steel industry, of its workers and of the Nation depends on the willingness of all enterprises to seek to maximize profits by maximizing sales rather than by unreasonable pricing policies.

Our support of import restraint is for the purpose of protecting the job security and well-being of the American steelworkers, not the encourage profiteering by anyone.

We seek an extension of the steel import restraints either legislatively or through negotiations. We are fully aware of the ability of

this committee to accomplish a balanced steel trade through either approach and wish to express our appreciation to Chairman Mills for his understanding and sympathy in the already accomplished restraint.

Thank you.

Mr. GIBBONS. Mr. Schneebeli.

Mr. SCHNEEBELI. On the top of page 8, you said added 15 tons of steel capacity last year.

Did you mean 15 million tons?

Mr. SHEEHAN. Annually, yes.

Mr. SCHNEEBELI. That is all, Mr. Chairman.

Mr. GIBBONS. After the voluntary restraints were agreed to, I thought I would see the steel industry here in the United States expanding their capacity and modernizing.

I notice that United States Steel apparently went into the real estate business. Of course, they can go into any business they want to, as far as I am concerned. But they apparently plowed their new profits back not into steel but into the real estate business in Florida.

In fact, they purchased one of the fanciest pieces of real estate that I know of for over $10 million in my own area. I have seen them picking up other pieces of real estate around the country.

Do we have any assurance that if we extend this protection to them for another couple of years they won't go out and go into some other business?

Mr. SHEEHAN. Actually, Mr. Chairman, and I didn't fully develop it in my remarks here, however, in our statements before this committee 2 years ago, we noticed this desire to conglomerate or disversify.

The United States Steel Corp. is one of the biggest conglomerates in the country.

We are concerned that whatever their compulsion is that they are taking some of the investment capital out of the steel industry into other areas of activity.

This, to us, means that if the steel industry does not continue to invest in modernizing the steel industry, that the steel industry, the domestic steel industry, would not be able to compete.

One of the reasons that industry gives for its need to diversify or to conglomerate is the fact that their share of our expanding market was being too rapidly seized by foreign imports. So the union joined with the industry and said, "Well let us guarantee or let us moderate that share of the market so as to keep investments of the steel industry in the steel industry, itself."

I remark here in our statement that we had anticipated about a $2.5 billion investment over the years.

The industry has been investing at the rate of over $2 billion, but not up to the $2.5. Last year, they had anticipated, I think, about a $2.4 billion investment but it was pared back to just about $2 billion.

We are concerned about that, too, Mr. Chairman, and I felt that our position would be one of encouraging the industry to stay in the industry itself rather than going off to too many diversifications, which doesn't do the workers in that industry any good.

Mr. GIBBONS. I can understand that. Refresh my memory. Was it United States Steel that we were talking about this morning that was going over to France and buying up an interest in French concerns?

Mr. SHEEHAN. I think there was one thing in the newspaper this

morning—maybe it is not the same item you had seen— which showed our concern here, that the Detroit automobile manufacturers were going to enter into a rather substantial contract with Japanese steel to bring steel in for the manufacturing of automobiles.

This, I think, will be a very serious blow, if that is actually carried out.

Mr. GIBBONS. We have a tough problem. It looks like every time we give them a little protection, they don't use the money for what they told us they wanted to use it for. Of course, it is their money and I guess we can't fault them on that. But it does begin to worry us some.

As I say, if I thought they were going to build a steel plant on that real estate they bought in Florida, I wouldn't worry about it too much.

Mr. SHEEHAN. Actually, too, Mr. Chairman, and we mentioned this in the statement—maybe one of the inhibiting factors today for an accelerated investment in new plant equipment, of course, is the national policy to cut back on capital investment because of the inflationary spiral that is going on in the country.

We don't fault them because of that particular pressure. As you know, it is the policy to cut back. Nevertheless, this means that we won't be keeping up with the time schedule that we had hoped would be adhered to.

I do think, however, that they have continued to invest almost at the rate they said, which was over $2.5 billion a year. That is going on. Last year was the fourth consecutive year, I think, in which they have been investing at over $2 billion. So it is not too bad. It could be better, but it is not too bad.

Mr. GIBBONS. I appreciate the information you have brought us. Thank you very much.

The next witness will be Mr. Theodore E. Veltfort, managing director, Copper & Brass Fabricators Council.

## STATEMENT OF THEODORE E. VELTFORT, MANAGING DIRECTOR, COPPER & BRASS FABRICATORS COUNCIL, INC.; ACCOMPANIED BY ROBERT J. WARDELL, ASSISTANT MANAGING DIRECTOR

Mr. VELTFORT. Mr. Chairman, I am Theodore E. Veltfort, managing director of Copper & Brass Fabricators Council, Inc., of New York.

The council has for its members 24 domestic brass mills accounting for 85 percent of the production of the brass mill products in this country. A list of our members is attached to my written statement.

This oral statement is intended to summarize the formal statement which we have submitted to your committee. We desire to lay before your committee the facts about our industry and present our recommendations with respect to our foreign trade, particularly as they relate to the various proposals before you.

In summary, Mr. Chairman, we recommend:

1. The adoption of the provisions of H.R. 14870 which would eliminate the requirements of causal relationship between tariff reduction and increased imports, and would make increased imports as such a sufficient cause for relief if they seriously injure or threaten serious injury to an industry.

2. That relief be provided an industry, or group of workers, where

imports have been a substantial cause of injury, or threat thereof, as proposed in H.R. 16920.

3. That the unfair trade practice of dumping be stopped by amending the Anti-dumping Act of 1921 by adopting the principles embodied in the Rooney bill, H.R. 17605.

4. That the Tariff Commission in its investigation be authorized to consider the restriction in the growth of an industry caused by increased imports.

5. That provision be made that articles on a specific duty may be converted to an ad valorem equivalent in determining the measure of relief which may be granted.

BRASS MILL INDUSTRY

The brass mills fabricate copper and copper alloys into a variety of basic products such as sheets, rods and tube. These products are used extensively throughout the economy. They are particularly important in building construction, and in automotive, appliance, electronic, and heat exchanger applications.

Moreover, on each occasion when our country has been faced with a national emergency, such as World War II, the Korean war, and the present Vietnam war, our industry has been called upon to supply the mill products vital to our national defense.

Our industry is modern and efficient. It has increased its man-hour productivity by 50 percent during the last decade. It spends millions annually in plant expansion and in improved, modern equipment. Its capacity is substantially above the requirements of both its commercial and government customers. It can readily supply that part of the market taken by imports.

The industry employs about 32,000 production workers. Its wages are high and the industry's labor relations are good. Its employees, in most instances, have spent a considerable period of time in being trained for their technical work and would be difficult to replace if lost.

The brass mills are located in 17 States, as shown in exhibit B attached to my written statement. They are an important factor in the economic health of each community where they are located. Most of the mills are relatively small, and employ less than 500 workers each.

The industry's products have to meet high standards of quality, and conform to the specifications of both Government agencies and private technical societies and other standardization groups.

All brass mill products must meet these widely established specifications and standards to be salable. And any product which does meet these standards is as good as any other which does—no matter who makes it, here or abroad.

EXPORTS AND IMPORTS

Since the tariff concessions made by the various trade agreements have been in effect, the industry's exports have declined from about 50 million pounds annually to about 20 million.

In contrast, its imports have increased from less than a million pounds to over 170 million pounds—and have exceeded 200 million pounds in several years.

On the average, they at present constitute about 4 percent of our total domestic market, but the percentage applicable to certain classes of product, such as copper alloy tube, has been 20 percent.

In some categories of tube, such as thin wall brass tube for plumbing fixture connections, the market has been taken over practically entirely by imports.

In the last few years, our industry has been saved from a critical situation only by the fact that it has furnished considerably more brass products for the war than it was losing to imports.

Also, the recent higher prices of copper abroad have made the importers' competition with the domestic mills somewhat more difficult.

These conditions, however, are transitory. The basic advantage of materially lower labor and production costs abroad, pose a continuing threat to the domestic industry.

The basic cause of increased imports are the lower foreign labor rates. How substantial this factor is, is indicated in exhibit D attached to my written statement, which shows the comparative wages in manufacturing industries in the United States and in principal foreign countries shipping brass mill products to the United States, during the period 1955 through 1968.

It shows that while the U.S. wages during that period have increased the least in percentage, its wages have increased the most in cents per hour, which is the true determinant of unit labor costs.

The labor rates of such major exporters of brass mill products to this country as West Germany and Japan, are still only about 40 percent and 25 percent, respectively, of ours.

While the productivity of our mills is quite high, the efficiency in foreign mills closely approaches ours. With their low labor rates they can easily sell their products here under our domestic prices when copper prices are about equivalent as they normally have been.

They compete selectively in the domestic markets established largely through the expenditure of millions of dollars by the domestic industry in research and promotion. With their lower wage rates and comparably lower production costs, they are in an excellent position to invade these markets by the mere offer of lower prices.

Since we cannot—and would not want to—reduce our wages to match theirs, we shall have to depend for relief on appropriate provisions in the Trade Act.

It is for this reason that we urge that the pending legislation include a firm escape clause which will make it possible for an industry to obtain relief before it suffers irreparable injury from increased imports.

LIBERALIZATION OF THE ESCAPE CLAUSE

Until very recently, the escape clause has afforded no relief to an industry suffering from injurious imports. An unsympathetic Tariff Commission saw to that. H.R. 14870 proposes some changes that would help, but it does not go far enough. It would still require an industry to prove that imports are the primary cause of serious injury or the threat thereof.

We submit that this should be changed as proposed in H.R. 16920, so that it need only be shown that the increased imports are a substantial cause of injury, instead of the primary cause.

In the face of the many problems which industry has to meet today, it would be extremely difficult, if not practical practicably impossible, to establish to the satisfaction of an unsympathetic Tariff Commission that increased imports have been the primary cause of injury.

An industry can establish, however, that imports are a substantial cause of injury, where that is a fact. It is a term that industry and Government understand and it is practicable to apply where it is justified.

Another important modification of the escape clause, which we strongly recommend, is quite important to an industry such as ours which is on a specific duty basis, rather than on an ad valorem basis. Instead of being a percentage of value, our duties are generally on a cents-per-pound basis.

Under the escape clause, when the Tariff Commission makes an affirmative finding of injury from imports, the President may proclaim an increase in duty of not more than 50 percent above the rate existing on July 1, 1934.

Our written statement gives an example of how widely the amount of permissible relief varies between a brass mll product on a specific duty, and another, otherwise similar product on an ad valorem duty, because of inflation.

Thus, brass tube, costing 17 cents a pound in 1934, carried a duty of 6 cents a pound. This was equivalent to 47 percent of its value.

Another product, product *x*, which we assume for comparison purposes, also sold for 17 cents a pound in 1934, but had a duty of 47 percent ad valorem.

In the intervening years, the duty on each of these products has been similarly reduced, that is, the brass tube from 8 cents a pound to 2.2 cents, and product *x* from 47 percent ad valorem to 2.4 percent; also during this period inflation has raised the price of both brass tube and product *x* to 90 cents a pound.

If both established that they are entitled to relief, under the escape clause as presently worded, the maximum relief that can be given to brass tube is 6.2 cents a pound, whereas, the maximum relief that can be granted to product *x* is 23.31 cents a pound because of the effect of its ad valorem duty.

Obviously, this disparity in the degree of possible relief is grossly unfair; 6.2 cents in the case of brass tube which is on a specific duty, 23.31 cents in the case of product *x* whch is on an ad valorem duty.

The actual justification for relief for each product, and the extent of such relief would have to be formally established, but if conditions are the same, the power to grant relief should certainly be the same for each.

This was recognized by an amendment in the Trade Expansion Act of 1958 which provides:

"(A) Increasing by more than 50 per centum any rate of duty existing on July 1, 1934; except that a specific rate of duty existing on July 1, 1934, may be converted to its ad valorem equivalent based on the value of imports of the article concerned during the calendar year 1934—and the proclamation may provide an ad valorem rate of duty not in excess of 50 percentum above such ad valorem equivalent."

This amendment, unfortunately, was omitted in the Trade Expansion Act of 1962. We urge its restoration in the Trade Act of 1969, as detailed in our formal statement.

Finally, we believe that where increased imports impose a serious limit on the growth of an industry, this factor should be recognized in determining injury or threatened injury.

Therefore, we recommend that the Tariff Commission in its invstigation of a petition for relief under the Trade Act should take into account not only the economic factors specifically mentioned therein, but also "decline in normal or prospective growth."

DUMPING

We emphasize particularly, Mr. Chairman, that in your study of our foreign trade policy, a review of dumping is absolutely necessary. Without effective relief against the unfair trade practice of dumping, the Trade Act of 1969 could easily be sidestepped.

We are convinced that this provision in the present law, like the escape clause, has never served the purpose intended by the Congress.

Our industry, like many others, has had to compete with the unfair competition of dumping without relief from the Treasury Department or the Tariff Commission.

Dumping has had a demoralizing effect not only in the regional markets directly involved, but also in our national markets, since brass mill products are sold on a national basis and unfair price competition in one region cannot be met without an effect in other parts of the country.

The brass mill industry has had some frustrating experiences with ineffective antidumping procedures, even when the Treasury had established presumptive evidence of the price discrimination involved. We related several cases in our formal statement.

These involved certain of the questionable interpretations of the Antidumping Act of 1921, which, to some extent, the Tariff Commission in very recent cases has recognized, although not unanimously.

Their correction should be permanently assured by the amendment of the Antidumping Act of 1921, rather than by relying on the differing views of the Tariff Commission as it may be constituted from time to time.

The enactment of the Rooney bill, H.R. 17605, would go far toward preventing the evasion of the fair trade intended by the Antidumping Act of 1921.

It will establish as law certain standards which are now being used by the Tariff Commission with respect to injury and would in other ways improve the procedures under the act.

Without legislation to strengthen the Antidumping Act as proposed by H.R. 17605, any relief which the escape clause might grant to an industry which is being injured by increased imports, can be thwarted.

The modifications in our trade laws that we are recommending should in no way interfere with the expansion of our foreign trade in every legitimate way.

We ask only that our laws require that those who would trade in our markets adhere to the same fair trade priniciples which govern our domestic industries.

The time has come for our Government to show the same consideration for our domestic industries when they are threatened by unfair or destructive import competition, as foreign countries regularly confer on their own industries.

May I take another minute to give a footnote to my statement which is very timely at this moment?

I read only this morning the revised regulations just issued by the Bureau of Customs explaining the change in practice which they propose following in the future in antidumping cases.

I can only say, Mr. Chairman, that the change means little or nothing in solving the problems that industry, including our own, has faced in the past from this unfair trade practice. Only Congress can do that.

To begin with, the revision can do nothing about the inordinate delays to which industry is subjected by the Treasury Department.

The old story that relief delayed is relief denied applies very clearly when an industry seeks relief from dumping.

The Treasury takes not only months but after years in resolving a case. Congress should put a stop to that.

Furthermore, in this release Treasury takes onto itself in certain cases the legal authority to deny relief when dumping is found if the transgressor agrees to stop.

This, despite the fact that Congress has said this is the exclusive prerogative of the Tariff Commission.

Finally, I have little confidence in what the Treasury would hold is minimum. In a case which we had before the Treasury a few years ago, imports from Yugoslavia, the Treasury finally said the imports were too small to justify affirmative relief at the very time the imports were a very disruptive factor in the market.

Mr. Chairman, I am sure that this change by the Customs Bureau does not lessen the need for the relief which we ask for and which is provided by H.R. 17605.

Mr. GIBBONS. We thank you for your statement, sir. It is very thorough and a very scholarly presentation of the case.

Your full statement will be placed into the record at this time.

(The document referred to follows:)

PREPARED STATEMENT OF T. E. VELTFORT, MANAGING DIRECTOR, COPPER & BRASS FABRICATORS COUNCIL, INC.

SUMMARY

SPONSOR

Copper & Brass Fabricators Council, Inc., New York, whose members are 24 brass mills accounting for about 85 percent of total production of the domestic industry.

PURPOSE OF STATEMENT

To acquaint the Committee with the facts about the industry, its long experience with the Government's foreign trade policy, and its recommendation for specific changes.

BRASS MILL INDUSTRY

What the industry does, and its importance in serving both commercial and Government essential needs.

EXPORTS AND IMPORTS

The volume of exports and imports, and the problem of competing with increasing low-price imports.

COMPARISON OF LABOR COSTS

The facts regarding low labor rates abroad and why unfair competition results in imports.

LIBERALIZATION OF ESCAPE CLAUSE

The futility of obtaining relief from import injury unless the clause is more realistically and explicitly phrased.

DUMPING

The Antidumping Act has been completely ineffectual in stopping the unfair practice of dumping, and the enactment of the Rooney bill H. R. 17605 is urged to assure effective relief from dumping injury.

RELIEF NEEDED TO CORRECT INJURY

The need, because of the inflation, for providing for the conversion of a specific duty to an ad valorem duty in establishing the relief that can be granted to an industry under the Escape Clause.

The Tariff Commission should be authorized to consider the restriction in the growth of an industry caused by increased imports.

CONCLUSION

Summarization of recommendations.

I am Theodore E. Veltfort, Managing Director of Copper & Brass Fabricators Council, Inc., with offices at 225 Park Avenue, New York City. The Council, is a membership corporation formed for the purpose of promoting the welfare of domestic fabricators of copper and brass products particularly as they relate to the export of such products from, and the imports of such products into, the United States. The Council consists of 24 domestic brass mill companies that account for about 85 percent of the total production of the industry in this country. A list of our members is attached as Exhibit A.

*Purpose of statement*

We desire to lay before your Committee facts about our industry and present its recommendations with respect to our foreign trade particularly as they relate to the various proposals before you. Our industry has had a long and at times unfavorable experience with our Government's foreign trade policy and has on occasion called your attention to the unfair competition which it has had to meet from excessive imports. We believe, therefore, that our foreign trade policy is badly in need of modification.

Some of the changes proposed by the President in the Trade Act of 1969 (H. R. 14870) we can agree with. But we object strongly to certain features of the President's proposal and present for your consideration specific changes which we believe should be adopted.

*Brass mill industry*

The brass mills fabricate copper and copper alloys into a variety of basic products such as tube, rod and sheet. Our industry does not include foundaries, nor does it make wire and cable for electrical conduction. Neither does our industry cover the mining or refining of copper, zinc or any of the other metals which it uses; rather, our mills are customers of the metal producers. I speak to you solely for the brass mill industry whose import and export problems are not necessarily the same as those encountered by others in the copper industry.

Brass mill products are used extensively throughout the economy for a myriad of applications. The products are very important in building construction, especially residential building, and in automotive, appliance, electronic and heat exchanger applications. Moreover, on each occasion when the national security of our country has been faced with an emergency, the brass mill industry has played an important role. In World War II its output was placed entirely at the Government's disposal; in the Korean episode a quarter of its output was required for military purposes; and in the present Vietnam situation up to 14 percent of its production has been required by the military.

The industry has steadily improved its productivity. During the last decade the average man-hour output has increased 50 percent, or from 30 pounds to 45 pounds. It spends millions annually in improving and enlarging its plants and

equipment, and its capacity has remained substantially above the requirements of both its commercial and Government customers. It could readily supply that part of the market taken over by imports.

The industry normally employs about 32,000 workers. Its wages are high, averaging $3.70 an hour, not including supplementary compensation (so-called fringe benefits) of more than 90 cents per hour. The industry's labor relations are good. Its employees in most instances have spent a considerable period of time in being trained for their highly technical work and would be difficult to replace if lost.

Brass mills are located in 17 states. They are an important factor in the economic health of each community in which they are located. Some of the mills are in small towns, and the welfare of the entire community is virtually dependent on the local brass mill. They are not huge organizations. The majority are "small business" in that each employs less than 500 workers. We attach as Exhibit B a list giving the locations of the brass mills.

The products of the industry are made to meet high standards of quality. They conform to specifications of both the Government agencies and the private technical societies and other standardization groups. Any given brass mill product must meet minimum specifications and widely established standards in order to be salable, and any product which does meet those standards is just as good as any other, no matter who makes it, whether here or abroad.

*Exports and imports*

In the 1930s, before the concessions made in the various trade agreements became effective, the industry *exported* an average of almost 50 million pounds annually and *imported* less than a million pounds. Since the tariff concessions of the trade agreements have been in effect, exports have declined drastically and imports have risen phenomenally. Imports generally run about 200 million pounds annually and have declined in the last year to about 170 million pounds, principally because the price of copper abroad has been from 10 to 15 cents a pound higher than the average price in this country. During the last 10 years, exports have averaged 14 million pounds annually, or only 8½ percent of the average anual imports of 166 million pounds during the period. Exhibit C gives the annual imports and exports of brass mill products from 1949 to 1969 inclusive.

While imports in recent years have constituted from four to eight percent of the total domestic market for brass mill products as a whole, the percentage applicable to certain classes of product has far exceeded this average. In the case of copper alloy tube it has been 20 percent. In some categories of tube practically the entire market has been taken by imports. Thus, for instance, thin wall brass tube which is extensively used for plumbing fixture connections has been almost completely lost to imports. In recent years the industry has been saved from a critical situation because it is furnishing considerably more products to the military than it is losing to imports. Also the higher price for copper abroad during the last year has tended to make competition with the domestic mills somewhat more difficult for the importers. These conditions, however, are transitory. The basic advantage which the foreign producers derive from substantially lower labor and other costs presents an ever-present threat to the domestic industry from increased low-priced and unfair-traded imports.

*Comparison of labor costs*

The basic cause for the continued danger to our industry from imports is that foreign labor rates are much lower than ours. Exhibit D compares wages in manufacturing industries in the U.S. with those in principal foreign countries shipping brass mill products to the U.S. during the period 1955 through 1968. The exhibit shows that while the U.S. wages over this period increased less in percentage than those of the other countries, they increased more in cents per hour, which is the true determinant of unit labor costs (as well as a fair relative indication of other production costs). West Germany's labor rates are only 40 percent of ours and Japan's are only 25 percent, and each is an important exporter to our markets.

The production equipment in foreign mills is excellent. Their production efficiency is reported to be high. Although our production per man-hour is at least as good as in foreign mills, the substantial advantage in labor rates enables foreign mills easily to sell their products here under domestic prices when copper prices are about equivalent, as they normally have been. These exporters compete in our markets which have been established as a result of spending millions

of dollars by the domestic industry in research and promotion. While we have to continue to "hard sell" in our markets, importers need only to offer lower prices which their low labor and other costs readily permit. Since we cannot—and would not want to—reduce our wages to match theirs, we shall have to depend for protection on appropriate provisions in the Trade Act.

We are not "protectionists" as that term is commonly understood. We do not seek an umbrella of high tariffs to protect us agains fair competition from foreign producers and from more efficient production abroad. We have a highly efficient industry at home and have ample capacity to meet all domestic needs for mill products produced by highly-paid American workers under American labor and business standards. If it were possible for Congress to develop a flexible tariff system which would encourage foreign mills to observe our labor standards and which would do no more than offset the lower foreign production costs which result from low labor rates, our domestic mill industry would welcome the opportunity to compete with foreign mills in our domestic markets. We ask only for the opportunity to compete on a fair basis. However, it is not fair for the Government to require domestic producers to compete with foreign producers who do not observe the high labor rates and standards that the domestic industry must.

It is for these reasons that we urge that the pending legislation include a fairer escape clause which will really permit an industry such as ours to obtain relief before it suffers irreparable injury from low-price imports from countries with low labor and other production costs.

*Liberalization of the escape clause*

The escape clause has up until recently been a meaningless gesture of relief to industries that need help. Through its cold, exacting provisions, construed and applied by officials unsympathetic to protecting domestic industries, the Act has meant nothing to those in trouble from imports. We are confident that it has not met the need which Congress intended that it should at the time it was enacted.

Prior to November 1969, 13 petitions had been filed for relief under the escape clause and 15 petitions for adjustment assistance (eight by companies and seven by unions), and all 28 petitions were rejected. In November 1969, however, the Tariff Commission issued its first favorable decision under the Trade Expansion Act of 1962. For nearly eight years before that the Commission had rejected our of hand every effort of industry or employees to get relief under the escape clause or the adjustment assistance provisions of the Act. But the personnel of the Commission changes, and the industry should not be left subject to the changing views resulting from a change in personnel. Congress should set forth in clear and explicit language when industry is entitled to relief so that if the appropriate tests are met relief will follow.

Ws urge, therefore, that the excape clause be liberalized and strengthened so that an industry threatened with serious injury as a result of increased imports of lower-priced products can obtain the relief to which it is entitled.

The present law requires that the increase in imports be "major cause" of injury before any relief can be granted either under the escape clause or the adjustment assistance sections of the Act. The President's proposal would require that the imports be "the primary cause" of injury before relief can be granted under the escape clause, but would only require that they be "a substantial cause" of injury in order to apply for relief under the adjustment assistance sections.

The terms "major cause" and "primary cause" are so nearly identical that the proposed change would not bring any real differences in interpretation in the hands of officials unsympathetic to relief from increased imports. In fact, some might construe "primary" as more restrictive than "major". So many factors come into play in the operation of a business that it is at times difficult to establish that imports are "the major cause" or "the primary cause" of injury, and it is well-night impossible to carry that burden before a Tariff Commission that is unsumpathetic to relief from imports as was the case for many years (up until recently) at the Tariff Commission. But an industry can establish that imports are "a substantial cause" of its injuries where that is the fact. It is a term that industry and Government understand and is capable of being applied where it is justified.

We think therefore that relief should be available to an efficiently-operated industry if it is suffering from increased quantities of imports and it establishes that the imports are "a substantial cause" of the injury, as proposed in the Mills bill, H.R. 16920. A casual or incidental cause is not enough—but a substan-

tial cause certainly should be. And we urge that Congress enact legislation which provides that if an industry is suffering serious injury and the increased imports have been a substantial cause of the injury, then relief should follow.

*Dumping*

We believe it is essential that our Antidumping Act be revised to furnish the protection to domestic industries which Congress originally intended against dumping of foreign goods on our domestic markets. Our industry, like a number of others, has had to face the unfair trade competition of foreign products being dumped here at prices less than those in the originating countries. Dumping is a bad practice and should be stopped. It has had a demoralizing effect not only in our regional markets directly involved, but also in the national market because brass mill products are sold on a national price basis. Unfair price competition in one region cannot be met without an effect throughout the country. And yet our Treasury Department has so administered the law that the relief intended by Congress has rarely been given and never within a reasonable time. It has misconstrued its own function and has often thwarted the relief which the Tariff Commission might give.

The brass mill industry has had two painful experiences of how ineffective the present antidumping procedures can be, even when the Treasury Department has established presumptive evidence of the price discrimination involved. In one case copper tube was being sold in this country by a Canadian company at a special discount not available to its Canadian customers. After several years of investigation based on extensive evidence furnished by the domestic industry, during which time the dumping continued, the Treasury Department confirmed that dumping had occurred. It dismissed the complaint, however, on the Canadian company's assurance that dumping had ceased and relied on its promise that it would not be resumed. There is evidence that dumping has since recurred, although somewhat more subtly managed. But our experience discouraged us from further action.

A second case involved sheet copper from Yugoslavia, sold in this country at a price offered regularly at ten percent below the domestic competition. It resulted in a disastrous price demoralization in our markets where the Yugoslavian product was sold. The domestic mills lowered their prices drastically in what proved a vain attempt to meet the foreign competition and had to lower prices in a far wider market to avoid alleged price discrimination under our domestic laws. Again, the Treasury made a preliminary finding of dumping, but ultimately dismissed the case because it could not satisfy itself as to the precise price in Yugoslavia and had to depend on prices in certain free countries abroad. Also it reasoned that the quantity involved was relatively small; related to the national market this was true, but the Treasury disregarded the chain effect of the dumping on the entire domestic market.

These cases involved certain of the erroneous interpretations of the Antidumping Act of 1921, some of which the Tariff Commission in recent cases has recognized, though not unanimously. Their correction, however, should be permanently assured by Congress through amendments to the Antidumping Act of 1921, rather than by relying on the decisions of the Commission, which tend to vary with its membership.

H.R. 17605, introduced by Mr. Rooney, would prevent the evasion of the fair trade intended by the Antidumping Act of 1921. It would establish as law the standards which are now being applied by the Tariff Commission with respect to injury and would permit the consolidation of complaints against the dumping of a product from all foreign sources, as well as adopting the definition of an industry approved by the majority of the Commission.

It would take from the Treasury its wrongful assumption of the right in dealing with a complaint of dumping to require evidence of injury, which is a prerogative of the Tariff Commission, and its arbitrary dismissal of complaints of dumping even when it finds them to be justified, merely on the assurance of the offenders that the dumping would be discontinued. Quite importantly, too, it would set a limit of six months on the Treasury investigations. Unless Congress enacts legislation to strengthen the Antidumping Act as proposed by H.R. 17605, any relief which might be afforded in the coming trade legislation to an industry which is being injured by increased imports could be thrwarted.

*Relief needed to correct injury*

Where the Tariff Commission finds that an industry has sustained serious injury, or is threatened with it from imports, the President may proclaim such

duty as he determines to be necessary to protect the industry. But Subsection 351(b) limits the relief which may be granted by the increase of duties to not more than 50 percent above the rate existing on July 1, 1934.

The law makes no distinction between a *specific* duty and an *ad valorem* duty. And yet an industry under a *specific* duty may find itself at a great disadvantage when compared to another industry entitled to relief under an *ad valorem* duty. The great inflation that has occurred in the intervening years makes this discrepancy in relief so pronounced that some provision should be made to correct it.

Most tariffs were established on an *ad valorem* basis. The tariffs on brass mill products were established as *specific* duties on a per pound basis. When originally established in the 1930s, the *specific* duties were roughly comparable to *ad valorem* duties. But inflation that has occurred since that time results in *specific* duties being completely emasculated, and they give little protection today.

Let us take two examples:

(1) Brass tube under *specific* duty.

(2) Product X under *ad valorem* duty.

And let us assume that the price characteristics of the two are the same in order to test the application of Subsection 351(b).

On July 1, 1934, brass tube sold for 17 cents per pound and the duty was 8 cents per pound—or 47 percent of the market value.

On July 1, 1934, Product X (on our supposition) sold for 17 cents per pound and had a duty of 47 percent of the market value.

In the intervening years the duty on each item was drastically reduced so that on May 1, 1970, the 8-cent duty on brass tube had been reduced to 2.2 cents and the 47-percent duty on Product X had been reduced to 2.4 percent. During the same period inflation had its full effect so that on May 1, 1970, the two items, brass tube and Product X, were selling at 90 cents per pound, and the duty on each amounted to 2.4 percent of value.

If each item established that it is entiled to relief, the maximum relief that can be given brass tube is 6.2 cents per pound (2.2 cents plus 50 percent of the 8 cents in effect on July 1, 1934) while the maximum relief that can be granted to Product X is 23.31 cents per pound (2.4 percent plus 50 percent of 47 percent in effect on July 1, 1934, or 25.9 percent applied to 90 cents). Obviously this discrepancy in power to grant relief is unfair and was never intended by Congress when they fortuitously granted relief to some on a *specific* duty basis and to others on an *ad valorem* basis. The power to grant relief, conditions being the same, should be the same in both cases. We are not suggesting that brass tube should have a duty of 23.31 cents per pound—the proper amount is subject to proof—all we urge is that the President should be authorized to grant the same measure of relief to brass tube that he is now authorized to grant to Product X.

We repeat, it is obviously inequitable to give greater protection today to an article which in 1934 was protected on an *ad valorem* duty basis and deny that same measure of protection to an item that in 1934 was protected by a *specific* duty.

The inequity of such a situation was recognized in the Trade Expansion Act of 1958 (P.L. 85-686) by the amendment of paragraph (2)(a) of Subsection 350(a) of the Tariff Act of 1930, as amended, as follows:

> "(A) Increasing by more than 50 percentum any rate of duty existing on July 1, 1934; except that a specific rate of duty existing on July 1, 1934; may be converted to its ad valorem equivalent based on the value of imports of the article concerned during the calendar year 1934 (determined in the same manner as provided in subparagraph (D)(ii) and the proclamation may provide an ad valorem rate of duty not in excess of 50 percentum above such ad valorem equivalent."

This amendment, unfortunately, was not included in the Trade Expansion Act of 1962 and is not included in the proposed Trade Act of 1969. We urge that this important provision be restored by amending Subsection 201(b), retaining the amended paragraph (1) as proposed, and adding a paragraph (2) as follows:

> "(A) Increasing by more than 50 percent ny rate of duty existing on July 1, 1934; except that a specific rate of duty existing on July 1, 1934; may be converted to its ad valorem equivalent based on the value of imports of the artile concerned during the calendar year 1934 (determined in the same manner as prvided in subparagraph (D)(ii) and the proclama-

tion may provide an ad valorem rate of duty not in excess of 50 percent above such ad valorem equivalent."

A related and similar amendment sould be made in Subsection 351(b) of the Trade Expansion Act of 1962, by adding at the end of paragraph (1),

"providing that a specific rate of duty existing on July 1, 1934 (or the nearest calendar year in which imports were sufficient to establish an import value), may be converted to its ad valorem equivalent, and the proclamation may provide an ad valorem rate of duty not in excess of 50 percent above such an ad valorem equivalent."

We have one more recommendation for the improvement of the escape clause. Paragraph (2) of Subsection 301(b) of the Trade Expansion Act of 1962 provides that in its investigation of a petition for relief, the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment. We believe that to this should be added: "decline in normal or prospective growth." It is essential to the integrity of a basic industry such as the brass mill industry, that its growth be not unfairly and uneconomically retarded by increased low-priced imports from low-labor-cost foreign countries.

*Conclusion*

To summarize, Mr. Chairman, our industry recommends:

(1) The adoption of those provisions of H.R. 14870 which would eliminate the requirement of causal relationship between tariff reductions and increased imports and would make increased imports as such a sufficient cause for relief if they seriously injure or threaten serious injury to an industry.

(2) That relief be provided for any industry or group of workers where serious injury is caused or threatened to any substantial degree by increased imports as proposed in H.R. 16920.

(3) That the unfair trade practice of dumping be stopped by amending the Antidumping Act of 1921 by adopting the principles embodied in the Rooney bill, H.R. 17605.

(4) That the Tariff Commission in its investigation be authorized to consider the restriction in the growth of an industry caused by increased imports.

(5) That provision be made that articles on a *specific* duty may be converted to an *ad valorem* equivalent in determining the measure of relief which may be granted.

The improvements thus suggested in our laws should in no way interfere with the expansion of our foreign trade in every legitimate way. We ask only that our laws require that those who would trade in our markets adhere to the same fair trade principles which govern our domestic industries.

The time has come for our Government to show the same consideration for our domestic industries when they are threatened by unfair or economically unsound import competition, as foreign countries regularly confer on their own industries.

EXHIBIT A—MEMBER COMPANIES, COPPER & BRASS FABRICATORS COUNCIL, INC.

Anaconda American Brass Co., 414 Meadow Street, Waterbury, Connecticut 06702

Bohn Aluminum & Brass Co., 1400 Lafayette Building, Detroit, Michigan 48226

Bridgeport Brass Co., 30 Grand Street, Bridgeport, Connecticut 06602

Bridgeport Rolling Mills Co., Bridgeport, Connecticut 06602

Cerro Copper & Brass Co., Division of Cerro Coproration, 16600 St. Clair Avenue, Cleveland, Ohio 44110

Chase Brass & Copper Co., Inc., Tower East Building, 20600 Chagrin Boulevard, Cleveland, Ohio 44122

Chicago Extruded Metals Co., 1821 South 54th Street, Cicero, Illinois 60650

Extruded Metals Division, Detroit Gasket & Mfg. Co., 12640 Burt Road, Detroit, Michigan 48223

Hussey Metals Division, Copper Range Co., Leetsdale, Pennsylvania 15056

The Miller Co., 99 Center Street, Meriden, Connecticut 06450

The National Copper & Smelting Co., 6075 Cochran Road, Solon, Ohio 44139

New England Brass Co., Park Street, Taunton, Massachusetts 02780

The New Haven Copper Co., Seymour, Connecticut 06583

Olin Corp., Brass Division, East Alton, Illinois 62024

Penn Brass & Copper Co., 3837 West 20th Street, Erie, Pennsylvania 16505

Phelps Dodge Tube Co., Div. of Phelps Dodge Copper Products Corporation, P.O. Box 2, Dayton, New Jersey 08810

Precision Tube Co., Inc., North Wales, Pennsylvania 19464

Reading Industries, Inc., 530 Main Street, Fort Lee, New Jersey 07024

Revere Copper and Brass Inc., 605 Third Avenue, New York, New York 10016

Scovill Manufacturing Co., 99 Mill Street, Waterbury, Connecticut 06720

Triangle Conduit & Cable Co., Inc., Subsidiary of Triangle Industries, Inc., New Brunswick, New Jersey 08903

Tubing Division, Robintech Inc., Mount Kisco, New York 10549

Volco Brass & Copper Co., Kenilworth, New Jersey 07033

Waterbury Rolling Mills Co., East Aurora Street, Waterbury, Connecticut 06720

EXHIBIT B—LOCATIONS OF BRASS MILLS

*Alabama:* Decatur
*Arkansas:* Wynne
*California:*
- Los Angeles
- Newark

*Connecticut:*
- Ansonia
- Bridgeport
- Bristol
- Meriden
- Newtown
- New Haven
- New Milford
- Norwalk
- Seymour
- Stratford
- Thomaston
- Waterbury

*Illinois:*
- Chicago
- Cicero
- Clinton
- Danville
- East Alton
- Monsanto

*Indiana:*
- Anderson
- Fort Wayne
- Indianapolis

*Kentucky:* Eminence
*Massachusetts:*
- Attleboro
- New Bedford
- South Hadley Falls
- Taunton

*Michigan:*
- Adrian
- Belding
- Detroit
- Marysville

*Maryland:* Baltimore
*New Jersey:*
- Bayway
- Kearny
- Kenilworth
- New Brunswick
- Riverside

*New York:*
- Buffalo
- Mount Kisco
- New York City
- Rome

*Ohio:*
- Cleveland
- Middletown
- Mountpelier
- Solon

*Pennsylvania:*
- Altoona
- Bellefonte
- Brave
- Cornwells Heights
- Leetsdale
- North East
- North Wales
- Reading
- Zelienople

*Rhode Island:*
- Cranston
- East Providence
- Lincoln

*Texas:* El Paso
*Wisconsin:*
- Kenosha
- Milwaukee

## EXHIBIT C

## EXPORTS OF COPPER AND BRASS MILL PRODUCTS

[In thousands of pounds, metal weight]

| Year | Copper | | | | | Copper alloys | | | | | Total copper and copper alloys |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Plate, sheet, and strip | Foil | Bars, straight rod, and shapes | Pipe and tube | Total copper | Plate, sheet, and strip | Bar, rod, and shapes | Wire | Pipe and tube | Total alloys | |
| 1949 | 2,177 | (1) | (2) | 6,689 | 8,866 | 3,859 | 3,126 | 2,894 | 3,148 | 13,027 | 21,893 |
| 1950 | 1,163 | (1) | (2) | 3,976 | 5,139 | 1,874 | 1,731 | 2,306 | 2,058 | 7,969 | 13,108 |
| 1951 | 1,145 | (1) | (2) | 4,319 | 5,464 | 1,657 | 1,827 | 2,892 | 2,915 | 9,291 | 14,755 |
| 1952 | 1,106 | (1) | (2) | 5,182 | 6,288 | 1,851 | 4,424 | 1,339 | 2,801 | 10,414 | 16,702 |
| 1953 | 734 | (1) | (2) | 3,244 | 3,978 | 1,823 | 2,517 | 559 | 5,716 | 10,075 | 14,053 |
| 1954 | 600 | (1) | (2) | 2,937 | 2,997 | 872 | 910 | 753 | 1,731 | 4,266 | 7,263 |
| 1955 | 1,083 | (1) | (2) | 2,853 | 3,666 | 1,434 | 1,296 | 724 | 2,314 | 5,768 | 9,434 |
| 1956 | 674 | (1) | (2) | 3,101 | 3,775 | 1,674 | 1,468 | 813 | 2,839 | 6,794 | 10,569 |
| 1957 | 529 | (1) | (2) | 2,708 | 3,237 | 1,578 | 1,170 | 906 | 2,923 | 6,577 | 9,814 |
| 1958 | 324 | (1) | (2) | 3,126 | 3,550 | 1,109 | 1,130 | 655 | 2,395 | 5,289 | 8,839 |
| 1959 | 627 | (1) | (2) | 1,598 | 2,225 | 1,146 | 1,030 | 693 | 2,547 | 5,416 | 7,641 |
| 1960 | 1,001 | (1) | (2) | 1,449 | 2 450 | 1,300 | 1,432 | 647 | 2,070 | 5,160 | 7,610 |
| 1961 | 710 | (1) | (2) | 1,897 | 2,607 | 1,155 | 1,315 | 450 | 2,687 | 5,607 | 8,213 |
| 1962 | 697 | (1) | (2) | 1,728 | 2,425 | 2,274 | 1,820 | 665 | 3,528 | 8,287 | 10,712 |
| 1963 | 675 | (1) | (2) | 2,315 | 2,990 | 1,335 | 1,573 | 1,123 | 4,238 | 8,269 | 11,259 |
| 1964 | 796 | (1) | (2) | 2,866 | 3,662 | 2,228 | 2,082 | 680 | 2,732 | 7,722 | 11,384 |
| 1965 | 1,860 | 432 | 2,705 | 1,789 | 6,786 | 6,869 | 4,146 | 1,632 | 3,759 | 16,406 | 23,192 |
| 1966 | 621 | 979 | 2,121 | 1,039 | 4,760 | 2,387 | 3,457 | 2,233 | 3,863 | 11,940 | 16,700 |
| 1967 | 494 | 1,268 | 668 | 1,431 | 3,861 | 2,225 | 4,357 | 1,821 | 4,184 | 12,587 | 16,448 |
| 1968 | 268 | 1,451 | 2,226 | 1,194 | 5,159 | 2,459 | 3,254 | 2,158 | 3,041 | 10,912 | 16,071 |
| 1969 | 850 | 2,323 | 2,008 | 1,906 | 7,087 | 4,653 | 4,157 | 2,453 | 3,525 | 14,788 | 21,875 |
| 1970, 3 months | 461 | 768 | 1,050 | 535 | 2,814 | 1,328 | 1,496 | 1,501 | 1,234 | 5,559 | 8,373 |
| 1970: | | | | | | | | | | | |
| January | 119 | 250 | 455 | 160 | 984 | 598 | 474 | 346 | 380 | 1,798 | 2,782 |
| February | 205 | 259 | 86 | 176 | 726 | 356 | 432 | 843 | 117 | 1,748 | 2,474 |
| March | 137 | 259 | 509 | 199 | 1,104 | 374 | 590 | 312 | 737 | 2,013 | 3,117 |

Source: Bureau of Census of the United States.

[1] Not segregated prior to January 1965; alloy foil is included.
[2] Segregation available only back to Jan. 1, 1965.

Note: Figures for 1965, 1966, and 1967 revised to incorporate exports of copper bars, straight rods and shapes, not available back to Jan. 1, 1965.

## IMPORTS OF COPPER AND BRASS MILL PRODUCTS

[In thousands of pounds, metal weight]

| Period | Copper | | | | Copper alloys | | | | | | | Grand total, copper plus copper alloys | Monthly average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Plate, sheet, roll, and strip | Foil | Seamless tube | Total copper | Plate, sheet, and strip | Foil | Rod | Angles, shapes, and sections | Seamless tube | Wire | Total copper alloys | | |
| 1949 | | | 20 | 20,640 | | | | | 310 | 20 | 445 | 21,085 | 1,757 |
| 1950 | | | 350 | 18,329 | | | | | 1,650 | 492 | 12,356 | 30,685 | 2,557 |
| 1951 | | | 948 | 14,973 | | | | | 1,882 | 447 | 14,026 | 28,999 | 2,417 |
| 1952 | | | 5,146 | 22,180 | | | | | 882 | 368 | 33,936 | 56,116 | 4,676 |
| 1953 | | | 1,166 | 12,342 | | | | | 7,277 | 326 | 33,773 | 46,115 | 3,843 |
| 1954 | | | 5,268 | 17,924 | 5,103 | | 12,219 | | 15,154 | 505 | 32,981 | 50,905 | 4,242 |
| 1955 | 18,289 | | 11,595 | 29,884 | 6,251 | | 11,644 | | 20,708 | 382 | 38,985 | 68,869 | 5,739 |
| 1956 | 16,592 | | 23,198 | 39,790 | 7,454 | | 15,111 | | 23,881 | 802 | 47,248 | 87,038 | 7,253 |
| 1957 | 22,337 | | 31,396 | 53,733 | 6,770 | | 16,819 | | 38,431 | 2,895 | 54,915 | 108,648 | 9,054 |
| 1958 | 37,924 | | 46,430 | 84,354 | 13,708 | | 19,095 | | 33,510 | 2,991 | 69,304 | 153,658 | 12,805 |
| 1959 | 42,490 | | 51,857 | 94,347 | 26,119 | | 23,985 | | 38,500 | 5,992 | 94,596 | 188,943 | 15,745 |
| 1960 | 25,919 | | 45,121 | 71,040 | 26,214 | | 22,327 | | 28,148 | 5,352 | 82,041 | 153,081 | 12,757 |
| 1961 | 14,532 | | 20,343 | 34,875 | 25,335 | | 17,244 | | 24,319 | 3,602 | 70,500 | 105,375 | 8,781 |
| 1962 | 17,509 | | 13,585 | 31,094 | 28,712 | | 17,887 | | 29,355 | 2,713 | 78,667 | 109,761 | 9,147 |
| 1963 | 16,787 | 5,661 | 12,169 | 34,617 | 30,094 | | 18,976 | 262 | 32,706 | 3,407 | 85,445 | 120,062 | 10,005 |
| 1964 | 18,685 | 21,983 | 13,743 | 54,411 | 29,612 | | 15,782 | 1,228 | 40,383 | 3,831 | 90,836 | 145,247 | 12,104 |
| 1965 | 21,988 | 25,227 | 19,550 | 66,765 | 29,987 | | 9,944 | 791 | 41,113 | 1,944 | 83,779 | 150,544 | 12,545 |
| 1966 | 20,788 | 18,915 | 51,116 | 90,819 | 50,509 | 13,133 | 42,953 | 1,034 | 46,753 | 2,321 | 156,703 | 247,522 | 20,627 |
| 1967 | 22,270 | 22,553 | 31,549 | 76,372 | 47,882 | 11,627 | 27,237 | 827 | 36,268 | 1,854 | 125,695 | 202,067 | 16,839 |
| 1968 | 45,270 | 41,048 | 48,692 | 135,010 | 44,091 | 19,712 | 14,070 | 1,219 | 45,636 | 2,375 | 128,103 | 263,113 | 21,926 |
| 1969 | 18,474 | 13,794 | 31,358 | 63,626 | 32,013 | 13,475 | 10,305 | 1,713 | 44,157 | 2,026 | 103,699 | 167,315 | 13,943 |
| 1970, 3 months | 3,594 | 3,716 | 10,615 | 17,925 | 9,556 | 3,402 | 1,606 | 212 | 10,071 | 878 | 25,725 | 43,650 | 14,550 |
| 1970: | | | | | | | | | | | | | |
| January | 1,028 | 1,567 | 3,975 | 6,570 | 3,255 | 1,220 | 454 | 103 | 3,743 | 350 | 9,125 | 15,695 | |
| February | 1,307 | 823 | 1,863 | 3,993 | 3,000 | 1,101 | 387 | 47 | 3,067 | 218 | 7,820 | 11,813 | |
| March | 1,259 | 1,326 | 4,777 | 7,362 | 3,301 | 1,081 | 765 | 62 | 3,261 | 310 | 8,780 | 16,142 | |

## EXHIBIT D

### COMPARATIVE WAGES IN MANUFACTURING INDUSTRIES IN THE UNITED STATES; AND IN PRINCIPAL FOREIGN COUNTRIES SHIPPING BRASS MILL PRODUCTS TO THE UNITED STATES

| Country | Sex [1] | Dollars per hour | | | | | | | | | | | | | | Percent increase 1955–68 | Percent of United States | | Increase per hour 1955–68 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | | 1955 | 1968 | |
| United States | MF | 1.86 | 1.95 | 2.05 | 2.11 | 2.19 | 2.26 | 2.32 | 2.39 | 2.46 | 2.53 | 2.61 | 2.71 | 2.83 | 3.01 | 62 | 100 | 100 | 115 |
| Canada | MF | 1.45 | 1.58 | 1.63 | 1.72 | 1.80 | 1.79 | 1.75 | 1.74 | 1.81 | 1.88 | 1.97 | 2.08 | 2.22 | 2.40 | 66 | 78 | 79 | 95 |
| United Kingdom | M [2] | .66 | .71 | .76 | .78 | .82 | .90 | .95 | .99 | 1.03 | 1.11 | 1.23 | 1.29 | [3] 1.16 | 1.23 | 86 | 36 | 41 | 57 |
| European Common Market: | | | | | | | | | | | | | | | | | | | |
| West Germany | MF | .41 | .45 | .50 | .53 | .57 | .63 | .73 | .81 | .87 | .94 | 1.03 | 1.11 | 1.15 | 1.20 | 193 | 22 | 40 | 79 |
| France | MF [2] | .41 | .43 | .39 | .38 | .40 | .43 | .46 | .50 | .54 | .58 | .61 | .64 | .69 | .76 | 85 | 22 | 25 | 35 |
| Netherlands | MF [2] | .32 | .35 | .39 | .39 | .40 | .44 | .48 | .53 | .58 | .66 | .72 | .81 | .87 | .95 | 197 | 17 | 32 | 63 |
| Belgium | M | .51 | .54 | .57 | .59 | .61 | .63 | .65 | .69 | .74 | .83 | .90 | .97 | 1.04 | (4) | [5] 103 | 27 | [6] 37 | [5] 53 |
| Italy | MF | .30 | .32 | .33 | .35 | .36 | .37 | .40 | .46 | .54 | .59 | .62 | .64 | .68 | .71 | 137 | 16 | 24 | 41 |
| Sweden | MF | .82 | .89 | .95 | 1.01 | 1.05 | 1.11 | 1.20 | 1.31 | 1.40 | 1.54 | 1.69 | 1.85 | [7] 1.80 | [7] 1.91 | 133 | 44 | 63 | 109 |
| Switzerland | M [2] | .65 | .67 | .72 | .75 | .77 | .81 | .85 | .91 | .98 | 1.06 | 1.14 | 1.22 | 1.33 | 1.42 | 118 | 35 | 47 | 77 |
| Yugoslavia | MF [8] | (4) | .09 | .10 | .11 | .12 | .15 | .15 | .15 | .19 | .24 | [9] .20 | [9] .27 | [9] .30 | [9] .33 | [10] 267 | [11] 5 | 11 | [10] 41 |
| Japan | MF [8] | .23 | .24 | .26 | .27 | .27 | .31 | .34 | .38 | .42 | .46 | .50 | .56 | .63 | .74 | 222 | 12 | 25 | 51 |

[1] M—Male only; MF—Male and female.
[2] Adults only.
[3] The pound in terms of U.S. dollar was devalued from $2.80 to $2.40 Nov. 18, 1967; based on old rate of $2.80 per pound the 1967 figure would be $1.35.
[4] Not available.
[5] 1955–67.
[6] 1967.
[7] Excluding payments in kind and holidays and sick leave payments; this apparently amounted to 21 cents in 1966.
[8] Based on 200 hours worked per month.
[9] The dinars per U.S. dollar were changed July 26, 1965, from 750 to 1,250; and on Jan. 1, 1966, a new dinar replaced the old dinar at the rate of 100 old dinars per new dinar; based on the old rate of 750 dinars per U.S. dollar the 1965, 1966, and 1967 figure would be 33 cents, 46 cents, and 50 cents respectively.
[10] 1956–68.
[11] 1956.

Source: International Labour Office—United Nations Monthly Bulletin of Statistics.

Mr. GIBBONS. On this chart that you show in the next to the last column of your more complete statement, I guess given another hundred years it might catch up with us, is that about right?

Mr. VELTFORT. That is a very sensible conclusion. You notice these ratios. It would take about 100 years before some ever got up to us. By that time, you can imagine where we will be. Yes; that is exactly the significance of it.

Mr. GIBBONS. It might take less time than that the way you think we are going. We may start losing wage scales.

Well, thank you very much, sir.

Mr. VELTFORT. Thank you.

Mr. GIBBONS. The next time witness for 15 minutes is Prof. Joel B. Dirlam, director, Institute for the Study of International Aspects of Competition.

## STATEMENT OF DR. JOEL B. DIRLAM, DIRECTOR, INSTITUTE FOR THE STUDY OF INTERNATIONAL ASPECTS OF COMPETITION, UNIVERSITY OF RHODE ISLAND

Dr. DIRLAM. Thank you, Mr. Chairman.

Mr. GIBBONS. Before you start, Mr. Dirlam, I see you have a very comprehensive statement here.

If you like, we will insert the whole statement in the record as you have prepared it here.

Dr. DIRLAM. That would be very kind. I am going to summarize the highlights of my statement.

I might say that I am appearing in opposition to H.R. 3, to provide for orderly trade in iron and steel mill products, in other words, for quotas.

In my testimony I shall draw upon research carried out for the Institute for the Study of International Aspects of Competition at the University of Rhode Island and also upon my continuing studies of the pricing and innovative policies of the steel industry which have been published by Brookings Institution and economic journals, and in the Journal of Iron and Steel Engineering.

By way of preface, let me state that protectionism of any kind is economically objectionable because it distorts patterns of production, leads to higher costs, and burdens the consumer.

Quotas are perhaps the most vicious form of protective devices because they are impossible for foreign producers to surmount no matter how efficient those producers may be.

If the free competitive market is distorted by protection, maximum damage is done to the consumer and to the economy in general when the protected industry is characterized by dominant firm price leadership and concentration.

The steel industry is highly concentrated. The seven largest firms accounted for 71 percent of the shipments in 1969.

The industry is characterized by an absence of price competition combined with price leadership of the large firm. Once this was United States Steel and now it is Bethlehem.

In other words, the use of quotas, either voluntary, so called, or mandatory, to restrict steel imports combines the worst of all possible worlds.

I shall illustrate the effects of this limitation of competition and then examine the justifications offered by the industry for preventing steel consumers from purchasing economically.

Steel quotas have been accompanied by a rocketlike ascension of steel prices; hot rolled sheets which sold at $88 a ton in November 1968, went up to $127 a ton by February 1969.

In the first 5 months of 1970, the price of concrete reinforcing bars was raised 17 percent and hot rolled sheets went up another 8.5 percent.

I might add that the chronology of steel price increases, which is included in my statement here, is a continuation of a chronology which we have prepared and which has been in previous hearings.

I think it is unique in the formation that it provides with regard to major steel price increases. We have tried to keep it up to date.

All in all, the prices of steel mill products in the months since the so-called voluntary quotas went into effect have increased more than they did in the preceding 10 years. This increase is illustrated in chart A in my prepared statement, which shows the comparative changes in the index for finished and semifinished products, and the basic data are made available in table 1.

The danger of superimposing a quota system on the price rigidity test inherent in the U.S. steel industry can hardly be exaggerated.

According to a study of the loss of export markets by the U.S. industry, producers from 1962 to 1967 were increasing their export prices while the world market prices for similar steel products declined.

It is significant that the International Metal Workers Federation with which the United Steelworkers are affiliated has stated, with regard to the policies of the U.S. steel industry:

> The reasons for this failure of the American steel industry in the battle of international competition can be found first and foremost in its administrative price policy which is contradictory to the state of the market, then misjudgments of technological development which meant that the American companies lagged behind, for instance, in the use of the basic oxygen process, as well as lack of internationl and economic foresight.

The IMF went on to say that the American steel industry has not allowed itself to be integrated into the world steel market.

The greater competition by exports on the American market has not forced the companies to pursue a new dynamic price policy.

The new price leader in the industry, Bethlehem, has, in effect, determined, now the domestic market has been insulated from import price competition, to prevent the pricing structure from being shaken by maverick domestic price cutters.

In November 1968, after Bethlehem had lost two 20,000 orders to United States Steel, the company decided to punish price cutters. It posted a 22-percent cut on a key volume item, hot rolled sheets.

According to Mr. Bickford, who is the chief sales executive for Bethlehem, "If the cut had stayed, it would have undoubtedly spread to galvanized and cold rolled sheets and tin mill products, and then you are talking about over $100 million lost just for Bethlehem."

Bethlehem has introduced in the past year or so pricing changes that, according to competitors, make it easier to keep mills honest and discourage chiseling.

In other words, techniques to frighten off potential competitors who may want to engage in price competition. In fact, Bethlehem has made

no bones about its intention of unilaterally forcing prices up to realize a target return on net worth.

I will quote again from Mr. Bickford: "Bethlehem intends to make a profit and if that means higher prices, then that is the way it is. If profits are still down at 12 months, I guess you can say that prices are going to change."

So the present level is only a floor. The dangerous consequences of artificially limiting imports of a key commodity in an inflationary period do not need elaborate demonstration.

An estimate by Prof. Eckstein and Frohm conducted on the basis of input-output data in 1958 concluded that as much as 40 percent of this earlier price inflation was traceable to steel price increases.

While I have not had the opportunity to bring their study up to date, their estimate does serve to indicate the key role of steel in contributing to a general price increase.

Quotas not only establish a hunting preserve for domestic steel companies; they prevent foreign technological and managerial advances from being adopted here, except after a long delay. Relieved of the foreign competitive pressures, the U.S. industry can take its time in introducing technological change.

Prof. Walter Adams and I have shown that the largest U.S. steel companies lagged in using the oxygen converter, and it was the smaller companies, again with Roanoke Electrical Steel and McCloud, that put continuous casting into commercial use in the United States long after it had been used in Europe and Russia.

There is much to show that the Japanese have managed in some areas to achieve efficiencies that we have not realized in this country, particularly with regard to the use of coke in blast furnaces. Quotas prevent such improvements from having a salutary, competitive impact on the domestic industry.

Quotas have been supported on the ground that steel imports have caused unemployment. The most recent estimate that I have seen by people who are concerned with the problem is that 140,000 jobs have been lost.

Diligent search has failed to discover these 140,000 workers.

Table 7 in my prepared statement summarizes the available statistics and tell us all that we can find out about the rate of employment in the steel industry. Obviously, there has been some decline in total employment as productivity has risen.

But the steel industry, over the period 1959–69, by all available indices, has had a superior record as far as unemployment is concerned. In only 3 years, 1960, 1961, and 1962, was unemployment in the primary metals industry, half of which is steel, higher than the average for the labor force as a whole.

In all other years the unemployment rate in primary metals was below the national average.

In only 2 years, have the layoff rates in steel been higher than the all-manufacturing rate, in 1960 and in 1968. In the latter year, the steel rate was 1.4 percent per hundred, compared with 1.1 for the manufacturing average.

Moreover, if there had been substantial unemployment it would have been reflected in the supplementary unemployment benefits. And yet,

again, as we show in the prepared statements, supplementary unemployment benefits were almost unchanged as a percentage of total employment costs during the period 1959–69, and certainly did not show any significant increase in dollar amount in 1968.

Finally, as I said, total employment continues to decrease, was less in 1969 than in 1968, during a period when the industry was supposedly partly protected against imports. This is due, as I show, to an increase in productivity.

The industry, itself, claims that it needs financial assistance via higher prices from the consumer of steel products because of low profits.

But the industry has been a poor earner for years, long before imports became important. One can conclude only that the miserable performance originates in the structure of the industry, with dominance by long entrenched giants and with the method of doing business, which still betrays a kind of indifference to customer needs. I would like to quote again from my more detailed statement.

In 1970, domestic customers whose sources of foreign supply had been cut off by the quotas turned back to the U.S. mills. According to Industry Week, "The domestic mills are not jumping to take their business." Disciplining a wayward customer is still regarded as a good business practice.

Our balance-of-payments difficulties are said to justify quotas on steel. Yet, quotas on imports will not restore a favorable balance of trade. Instead, they are much more likely to jeopardize our exports, for obvious reasons.

Foreigners have to pay somehow for what they buy from us. Even if voluntary quotas were eliminated, the United States would not be overwhelmed by a flood of cheap steel. World demand is rising at more than 5 percent a year and most areas have little to space for the United States.

The president of the American Iron and Steel Institute came back from Europe last fall convinced that the boom there depended upon Russian buying and, hence, could not be expected to persist.

The facts, however, show that Russian buying, particularly for new projects like a natural gas pipeline for which 1.9 million metric tons are going to be lined up in the future, and for an expansion in automobile production and related investments, had not even begun to manifest itself in 1969.

Actually, Russian East European purchases again, as our table shows in the prepared statement, were only slightly above the level in 1968, so that one cannot attribute the European demand in any respect to East European purchases.

Professor Adams and I in testimony before the Senate Finance Committee in 1967, voiced our confidence in the longrun strength of world demand, and I see no reason now to qualify that conclusion.

There seems every likelihood of a need for close to 1 billion tons of capacity in 1980. The problem will not be one of surplus capacity but, rather, of locating the necessary raw materials to keep the plants producing in 1980.

It has been estimated that something like 600 million tons of ore annually will be moving in international trade at that time.

The Japanese are trying to buy cooking coal in Canada, iron ore in South America and Australia. Prospects are more for shortage than the opposite.

Moreover, higher steel costs will threaten the international competitiveness of our steel-using exports which, in 1968, before the quotas went into effect, totaled almost $14 billion, whereas, steel imports in the same year, not counting iron ore, didn't equal $2 billion.

If imports succeed in keeping a lid on U.S. prices they are well worth the cost that may be imposed on the industry in temporarily lowered profits.

The final argument for quotas is that because foreigners now have a more plentiful supply of capital and better technology than before, whether it is our own or theirs being perhaps immaterial, we should therefor exclude their products from the U.S. market.

By the same token, of course, they should propose quotas on imports of U.S. construction and agricultural machinery, computers, autos, and trucks. There is no more justification for excluding steel products made abroad by efficient, up-to-date equipment than there was earlier for excluding them when they were made by relatively antiquated and inefficient mills.

In short, a policy designed to insure that the United States have a positive trade balance in every industry and for every product is not only economically nonsensical but because of the leading role of the United States, threatens the future of international trade.

Domestically, the persistence of the voluntary quotas will set the stage for continuous self-reinforcing and unjustified cost and price increases, and will do nothing to aid employment.

Given the strategic role of steel, not only should there be no favorable action taken on the proposed mandatory legislation, but the voluntary quota agreement should be abrogated.

Trade in steel should be free, in the interest not only of the domestic anti-inflationary program, but the longrun interests of the industry itself.

Thank you.

(The prepared statement of Dr. Dirlam follows:)

PREPARED STATEMENT OF PROF. JOEL B. DIRLAM, DIRECTOR, INSTITUTE FOR STUDY OF THE INTERNATIONAL ASPECTS OF COMPETITION, UNIVERSITY OF RHODE ISLAND

1. AN EXAMINATION OF PROVISIONS OF H.R. 3

I am appearing in opposition to the imposition of quota limitations on the import of steel products into the United States. In the course of my testimony, I shall draw on studies conducted by the Institute for Study of the International Aspects of Competition.

It should be helpful, by way of introduction, to indicate briefly the limitations on imports that would result were H.R. 3 or a similar bill enacted into law. The proposed legislation applies a triple reduction process to squeeze imports. First, their total volume can not exceed an amount arrived at by applying to the average annual consumption of steel (defined to include imports and exclude exports) in the three years before the year in which the limitation is to take effect, the percentage of imports to total consumption in 1964–1966. In other words, an over-all percentage ceiling is imposed, which will equal roughly 10%.[1] In 1969 total allowable imports would have been only 9,936,000 tons, or about 4 million tons below actual imports of over 14 million tons. Second, the bill would restrict imports of any particular steel product to its percentage of total imports during the base period. For example, hot-rolled sheets can account for no more than 14.9 per cent of imports, wire rods, 11.7 per cent, plates, 7.6 per cent, and so on.

See footnotes on p. 1860.

Clearly, powerful administrative machinery coordinated with the plans of importers in the U.S., would have to be established both in the exporting countries and in the U.S. to prevent violations and unexpected embargoes. Finally, by restricting imports from country of origin to a percentage no higher than that established during the base period, the volume of imported steel would be still further compressed. Cutting down on the imports from Japan (or other exporters whose competitive position may have improved) would of course not assure U.S. importers that they could substitute supply from other sources. Percentage limitations are shown in Table 1.

Imports from a foreign country can be subject to these restraints, however, only if the country of origin has entered into a bilateral agreement with the U.S.; if no agreement has been reached, the President *must* impose a ceiling equal to the percentage of its imports to total consumption during the years 1959–1966. As a final twist, even though the volume of imports is limited by total volume, by product, and by country of origin, the Secretary of Commerce may reduce imports through any port of entry, in terms of total volume, product, or country of origin, to "avoid disruption of regional markets." In its grandfather clause, therefore, the bill discriminates against more recently developed portions of the globe, since they are least likely to have exported steel to the U.S. in the base period. They would be treated even more unfairly if they could not reach a bilateral agreement with the President.

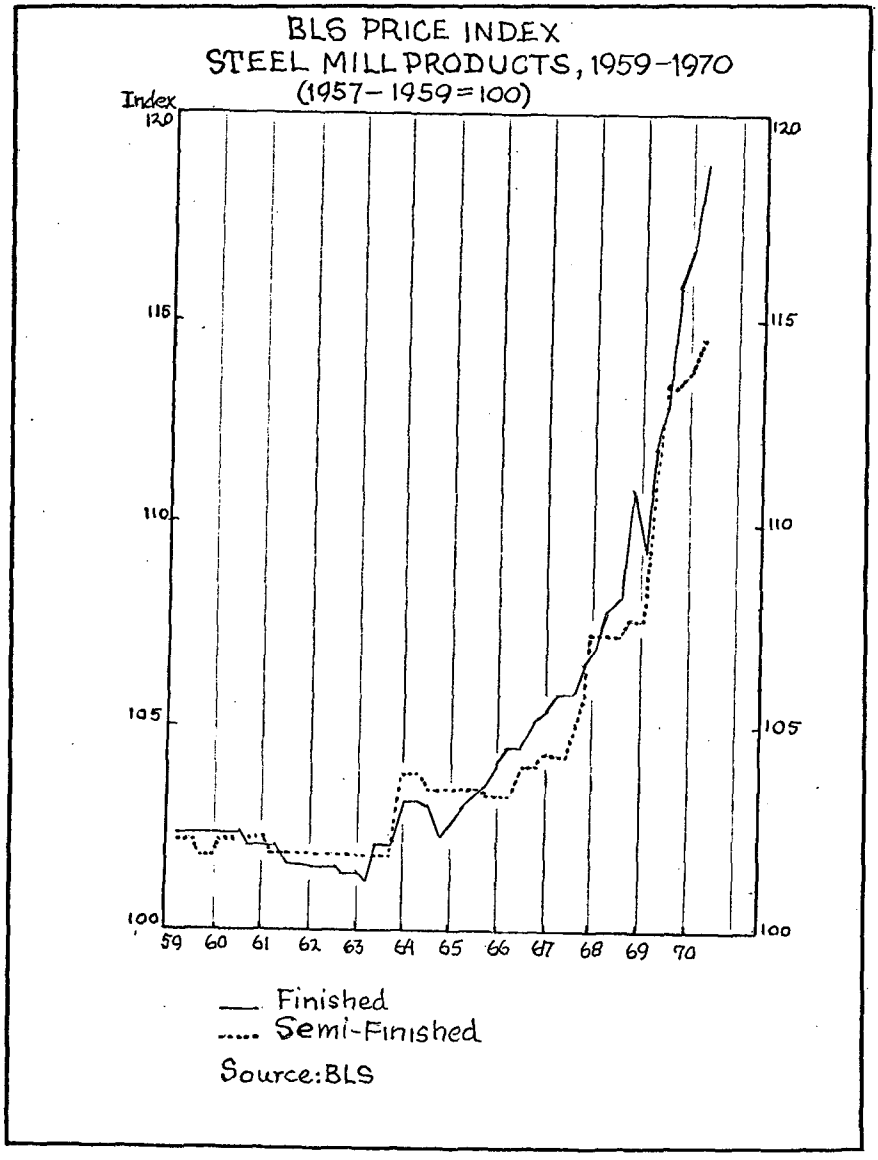
A mere recital of the provisions of H.R. 3 should be sufficient to show why economists have always regarded quotas as the most vicious form of restriction on international trade. While a tariff may be surmounted if foreign producers are willing to accept a reduction in rewards, it is impossible for them to hurdle a quota. For the domestic producers, the quota creates a *chasse gradée*, a preserve within which they are free to raise prices, because they face a predetermined amount of foreign competition. If vigorous competition prevails among numerous domestic manufacturers, the evil of a quota is mitigated; but the consumer is still forbidden to buy from lower-cost foreign producers, so that inefficient domestic manufacturers tend to be kept in business. If, however, the domestictic output is monopolized, or marketed under a system of dominant firm price leadership by a concentrated oligopoly, the imposition of a quota will not only protect inefficient operations from foreign competition, but permit the manufacturers to set prices at levels that reflect these excess costs, including what may be regarded as a justifiable profit. Whether monopoly profits actually will be realized depends, of course, on demand elasticity, and the level of costs. Since the proposed Steel Orderly Marketing Act makes no provision for review by the Secretary of Commerce, or anyone else, to insure that U.S. consumers of steel products are protected either against perpetuation high costs resulting from preservation of inefficient producers, or from price leadership and tacit collusion, I can only regard the bill as a danger to competitive marketing in the U.S. On the other hand, were the bill to be modified to establish regulatory insitutions in an effort to prevent the consumer being unreasonably exploited, the steel industry would be turned into a public utility, with all that this entails in terms of continuous governmental interference into the market mechanism.

### 2. QUOTA PROTECTION HAS BEEN ASSOCIATED WITH SHARP PRICE INCREASES

The imposition of limitations on exports to the U.S. by the European and major Japanese steel producers in 1969 and 1970 has been accompanied by dramatic increases in the price of steel products. These are initiated in late 1968, continued through 1969, and have intensified in 1970. Chart A, and Table 2 show that the percentage increases in the past 16 months have exceeded the price increases during the preceding ten years. It should be noted that the BLS index for finished steel mill products rose from 109.3 in November, 1968 to 119.0 in March, 1970, or 8.8%. In the first five months of 1970 the price of concrete reinforcing bars was lifted 17%, and hot rolled sheets, 8.5%.[2] A burgeoning demand for any commodity would normally be accompanied by price increases. The structure of the steel industry, however, is such that these price increases listed in Table 3, are unlikely to be rescinded, they are almost permanently incorporated into the fabric of costs of steel-using industries and will continue to exert a cost-push, inflationary influence. Indeed, the most probable expectation is that the prices now prevailing will provide a base from which the industry will move to still higher levels, in a Sysiphyan effort to improve its profit position. Because steel is used in so many products, increases in its price inevitably

See footnotes on p. 1860.

Chart A




contribute to higher prices of almost every commodity. A brief review of the structure and pricing policies of the steel industry should demonstrate the dangers of giving this industry, particularly, the benefit of quota protection.

The steel industry in the U.S. has been and still is concentrated. In 1968, the seven largest companies accounted for 71% of steel shipments. The industry has, historically, adopted a full-cost, price leadership policy. Although the leadership seems recently to have passed from U.S. Steel to Bethlehem, its aim has remained much the same, to secure what the industry leaders regard as a fair

return on the net book value of corporate assets.[3] To be sure, in periods of slack demand, some mills discount the published price, but only on rare occasions (as in the case of reinforcing bars and wire rods) will the base prices, initially determined by the leader, be abandoned for direct negotiation between buyer and seller.[4] In the European Coal and Steel Community, on the other hand, the absence of concentration has led to severe price-cutting and almost complete abandonment of the published base prices when steel demand stagnates. In the years 1964–1967, for instance, published price lists filed by French, Italian, Belgian and Dutch companies with the European Communities Commission, became almost meaningless because of "temporary rebates" and concessions to bring the prices into accord with the market. The variations were so widespread, and individual deals so ubiquitous, that it was impossible to determine what prevailing prices actually were.[5]

In contrast, the rigidity of U.S. pricing policy already in force in 1959 prevented the steel industry from challenging imports, and sapped its strength in foreign markets. Professor Adams and I have examined the mechanism by which, in order to preserve the integrity of its price structure, the U.S. steel industry conceded a large share of the wire rod market to imports.[6]

The share of imports in consumption is shown in Table 4, which contrasts the relatively small role of imports in the U.S. market with the proportion that ECSC producers are accustomed to live with.

In accounting for the impotence of the U.S. steel industry in the face of import competition, it must be remembered that following World War II, as in preceding decades, it enjoyed a "sort of quasi-monopolistic situation." [7] Habituated to lack of price competition at home, the producers "generally" made "no attempt . . . to align export pricing on the substantially lower prices quoted in the third markets by the European or Japanese steel producers." [8] In fact, according to a study by J. L. Kruseman, U.S. producers during the period 1962–1967 deliberately increased export prices which rose "by about 18 percent while the world market prices for similar products declined by about 2.5%" [9] Kruseman concluded that "the oligopolistic structure of the domestic industry has allowed it to stick to an 'administrative' pricing policy characterized by uniformity, stability and upwards flexibility. On the one hand, such a pricing policy kept aggravating the price differential between high, priced domestic steel products and low priced imported steel products. That price differential has been observed as an important explanatory factory of the successful penetration of foreign steel in the U.S. market. On the other hand, the export pricing policy has been shown to be simply an extension of the pricing policy prevailing in the domestic market. Thus, U.S. export prices kept increasing while the general trend of steel prices on the world market was downward. It follows that the U.S. steel industry worked to price itself out of the world market. . ." [10] Kruseman's study of recent export experience of the steel industry is attached in Appendix A.

The International Metalworkers Federation has also ascribed the rapid increase in imports to the lack of price competition by U.S. firms. According to the Federation, "The reasons for this failure of the American steel industry in the battle of international competition can be found first and foremost in its 'administrative' price policy, which is contradictory to the state of the market, then misjudgment of technological development, which meant that the American companies lagged behind, for instance in the use of the basic oxygen process, as well as lack of international and economic foresight." The IMF goes on to say that "the international steel trade, benefiting by competitive advantages, made a one-sided, sudden breakthrough into the American steel market. On the one hand, the foreign steel producers made the most of every opportunity offered by a temporary leap in demand caused by the uncertainty engendered by the collective bargaining; on the other hand the American steel companies are not prepared to engage in the battle of free competition at home and on export markets, although they are favored by tremendous advantages, such as cheap supplies of raw materials and power, higher productivity conditioned by large quantity orders and the high degree of concentration in their industry."

The American steel industry has not allowed "itself to be integrated into the world steel market . . ." and "the greater competition by exports on the American market has not forced the . . . companies to pursue a new, dynamic price policy. However, one effect which did not fail to appear was that, since steel has been imported in large quantities, the American steel industry has experienced from 1959 to 1967 its longest period of genuine price stability." [11]

See footnotes on p. 1860.

Unwilling to face import competition, even though importers always had the handicap of placing orders several months in advance of delivery, representatives of the steel industry in 1967 and 1968 insisted that imports generated by worldwide overcapacity threatened their solvency of the preservation of its jobs. A semi-official estimate listed the excess capacity at 69.9 million tons.[12] Lay-offs in the months of September and October, 1968 brought the United Steel Workers of America into support of the quotas, on the assumption that imports in 1968 had contributed to the temporary unemployment.

During the summer and fall of 1968, State Department representatives negotiated with members of the European Coal and Steel Community, and with the Japanese, in an effort to persuade them to limit exports to the United States. The persuasion was successful because the import limitation agreement was presented as the lesser of two evils. The alternative, which the foreign steel producers preferred to avoid, was adoption of mandatory quota legislation more restricted and, it was feared, more permanent than the voluntary quotas.[13]

To determine what is in store if the voluntary quotas remain, and *a fortiori*, if they are replaced by mandatory quotas, it is necessary to examine behavior of the industry in 1968 and 1969. It was during these two years that the mantle of price leadership shifted from U.S. Steel Corporation, which historically had been satisfied with relative moderate returns, to Bethlehem Steel, which promises to be a sterner taskmaster. The events are summarized in Table 3, and will be briefly reviewed here, because they illustrate how the leaders in the steel industry will plan their pricing policies under a more or less permanent quota system.

The new price leader, Bethlehem, has given notice on several occasions that it does not intend to allow domestic competitors to disturb the uniformity or depress the level of the price structure. Bethlehem's assumption of a leading role seems to have originated in announcing 4 to 9% increases on major steel products July 31, 1968, a move which brought condemnation from President Johnson and the Chairman of the Council of Economic Advisers. When U.S. Steel refused to go along, everyone, including Bethlehem, had to roll back the increase to a 2.5% average. In October, 1968, U.S. Steel made reductions of up to 20% on high volume steel items, supposedly to meet the competition of imports. Competitive price-cutting became pervasive, partly as a result of imports, and the published base price system eroded. When Bethlehem lost two orders to U.S. Steel, both involving more than 20,000 tons, the company engaged in what, in retrospect, one can only characterize as punitive price-cutting. Bethlehem posted a deep slash of 22%, or $25 per ton, on a key item, hot-rolled sheets. According to Mr. Bickford, Bethlehem's sales vice president, "if the cut had stayed, it could have cost Bethlehem $25 million a year, and worse yet it undoubtedly would have spread to galvanized and cold-rolled sheets and tin-mill products. And then you are talking about over $100 million just for Bethlehem."[14] Bethlehem emphasized that the cut was directed at domestic, not foreign competition.[15]

The move was successful; in less than a month, U.S. Steel, with Bethlehem's support, raised hot-rolled sheets from $88.50 to $117 a ton, and on February 3, 1969, Bethlehem put the price up to $129 a ton. Bethlehem has taken the lead, also, in the introduction of so-called "dimensional" pricing, which was heralded at the time of its introduction, November 4, 1969, as a price cut, because it supposedly charged customers by length of sheet, of specified thickness, instead of making the customer pay for excess weight. Shortly after the new system took effect, however, all companies increased the base price on cold-rolled sheets $5 per ton, and an extra charge was imposed, depending upon the gauge, to allow for minimum weight as per specifications. When Bethlehem in May, 1970, raised the price of sheets about 4%, net, it took another revolutionary step by eliminating extras. This move was viewed as an assertion of Bethlehem's continuing policy of simplifying prices so as to make price cuts more exposed. Discounting has customarily been carried out through cutting extras rather than the base price. Bethlehem's new system reduced 113 separate gauge and width extra charges to 19. The new system, according to a competitor, would keep mills "honest" and "discourage chiseling."[16]

Bethlehem has made no bones about its intention of moving prices up to realize a target return on net worth. According to its top sales Vice President, "Bethlehem intends to make a profit, and if that means higher prices, then (sic) that's the way it is. If profits are still down at 12 months I guess you can say that prices are going to change."[17]

In February, 1970, Bethlehem announced a price protection policy. All price

See footnotes on p. 1860.

increases, henceforth, will be fixed for 12 months. This was interpreted as demonstrating Bethlehem's leadership; it could indicate that price increases for 1970 will come to an end when all products have been given an increase; by February, about 67% of the products had been covered by price increases announced for 1970.[18] Since Bethlehem reserved the right to increase prices again at the end of the 12 months if profits were not satisfactory, the possibility is left open for further price rises in 1971.

### 3. QUOTAS RELAX COMPETITIVE PRESSURES THAT STIMULATE INNOVATION AND EFFICIENCY

If the steel industry is to be sheltered in perpetuity behind highly protective quota restrictions, there is danger that it may lag technologically. Professor Walter Adams and I analyzed the serious lag in the adoption of the oxygen converter by the largest U.S. steel firms and concluded that the live and let-live policies of the oligopolical market were responsible for the delay.[19] Although the industry producing almost as much of its raw steel by the use of the BOF process as by open hearth in 1969,[20] we do not know what other technical or managerial innovations may be on the horizon. We do know that, as Tables 5 & 6 made glaringly plain, the Japanese have been conspicuously successful in reducing unit labor costs per ton in recent years, even though Japanese money hourly wages have been rising more rapidly than U.S. hourly wages. Their output per man-hour has been rising rapidly, while our output per man-hour has been stagnating. Forced to import their raw materials over long distances, and to export a large share of their output, the Japanese have planned their productive facilities and organized their labor relations to minimize costs, exhibiting the power of international competition to lower costs. The constituents of the Nippon Steel Company managed to produce 30 million metric tons in 1969 with only 80,000 workers, which means an output per man of over 400 short tons, compared with average U.S. output per employee of 259 tons.[21] In 1969, the Japanese were averaging 504 kilograms of coke per ton of pig iron, compared with over 600 kilograms for the U.S.[22]

In the introduction of continuous casting, too, it appears that the United States has lagged other areas, and that the large companies have failed to use their resources to lead in innovation. According to a survey made by the Director of Metallurgical Process Development of U.S. Steel Corporation, 22 commercial continuous casting plants were in operation in 1959.[23] None of them was in the United States. The first U.S. firms to start-up commercial continuous casting units in 1962–63 were Roanoke Electric Steel and McClouth Steel, neither of them industry giants.[24] The conclusion of the Federal Reserve Bank of Cleveland seems justified: "The steel industry in this country has begun to invest in the continuous casting process but it still lags behind Europe, where the process has had widespread use for several years." [25]

Fourteen years later, in 1969, three U.S. companies, National Steel, U.S. Steel and McClouth, were successful in casting wide slabs.[26] U.S. Steel has also been experimenting with continuous casting in an effort to increase the tonnage by using successive BOF heats. Its earliest experiments with continuous casting go back to 1957, but the large-scale research began in 1959.[27] At the same time, new large continuous casting mills are to open in Japan this June.[28] And plans are underway in Japan for continuous casting facilities to "process seven million tons annually."

There have been other recent technological developments that have favored the entry of small plants into the steel industry, utilizing ordinarily the electric furnace charged by scrap, and offering possibilities of linkage with continuous casting. Some newer entries are experimenting with direct reduction. Appendix B, prepared by Professor William Haller, Jr., reviews entry into the steel industry in recent years by these small plants.

### 4. QUOTAS CONSTITUTE A THREAT TO EXPORTS OF STEEL-USING PRODUCTS

If the quotas are successful in excluding the products that are the most troublesome from the standpoint of the domestic industry—which means those which would be most attractive to their customers—the U.S. export market may be correspondingly damaged. Our exports of products using significant amounts of steel in 1968 totaled, at a minimum, $14 billion.[29] To the extent that the unavailability of foreign steel or higher U.S. prices for steel sheets, plate, strip, bar or other steel products raise the costs of our automobile construction and electrical

See footnotes on p. 1860.

power apparatus and other manufacturers of important export products, they may lose their advantage in crucial export markets. The perpetuation of the voluntary quota system, or the introduction of a mandatory system could spell the loss of exports far exceeding in dollar value the amount spent on imported steel even in 1968.

There is still another danger to our exports lurking in the imposition of steel import quotas, or indeed any quota on semifinished product or component. If we exclude cheap steel, by quota, we may find ourselves facing increased imports of more highly fabricated steel-using products which we are accustomed to export, such as automobiles or construction machinery. The burden of adjustment might then be shifted to other industries from steel. Will we then impose quotas on the products incorporating the steel that would be excluded? Evidently, once quotas are accepted, even as a temporary expedient, they generate possibilities of expansion and almost indefinite extension, that could choke off international trade.

### 5. QUOTA RESTRICTIONS LEAD TO CARTELIZATION

Besides contributing to price increases, quotas, if they are to be enforced, either on a voluntary or mandatory basis, require the exporting producers to police them. This in turn entails that a cartel-like organization be imposed on the exporters. Simply recall the techniques for adoption of the 1969 voluntary quotas. The "Club des Siderurgistes" composed of the various trade associations of the member countries of the ECSC guaranteed that the European producers would maintain the same product mix and pattern of distribution. Nine leading Japanese steel producers made the same promise.[30] Some smaller Japanese producers did not observe the agreement, and 100,000 tons more than the 1969 quota of 5,750,000 tons was shipped to the U.S.; the excess has to be deducted from the 1970 quota. It has also become apparent that the producers are shifting their exports toward the higher-priced items, which is only natural in view of the extremely high prices prevailing on same export items in third countries. In fact, the temporary effect of the quota agreements may have been to create a kind of protected source of supply for some of the U.S. customers of the European and Japanese mills, and to prevent their suppliers from taking full advantage of the turn-around in market conditions.

Not only do quotas force close cooperation on price, production and sales on foreign producers, thus violating the principles of the free market that we have found to be in the public interest in our own markets. Quotas entail regulatory supervision in the United States. That such supervision has not accompanied the voluntary quotas is an oversight. To the extent the domestic industry is relieved of competitive pressures, there must be some substitute, to insure the consumer that he is protected against exploitation by inefficient producers.

Quotas may very well lead to the formation of trading blocs; excluded from U.S. markets, Japanese might turn to Asia alone, and the Europeans to Africa.

### 6. THERE IS NOTHING TO SHOW THAT RISING LEVELS OF IMPORTS, THROUGH 1968, HAVE RESULTED IN UNEMPLOYMENT AMONG STEELWORKERS

Extravagant claims have been made by steel executives and others about the number of persons thrown out of work by imports. In 1967, for instance, the chairman of the American Iron and Steel Institute claimed that the 11 million tons of steel imported in 1966 "represented" more than 70,000 steelworker jobs."[31] In October, 1968, President Nixon, then a candidate, stated that the 17 million tons of steel imports expected in 1968 "represented more than 130,000 lost employment opportunities."[32] And in February, 1970, it was stated that "We have 140,000 steelworkers in the United States today who are unemployed because of the difference between the exports and imports of steel."[33] Although the United Steelworkers of America have not alleged a direct negative effect of imports on employment, its spokesmen have argued that lay-offs, estimated at 65,000 men, in the second half of 1968 resulted because customers had bought steel, including foreign steel, in anticipation of a strike which never materialized.[34]

Drawing on an unpublished study by Anthony Shorrocks, some of whose findings are compiled in Table 7, it may be concluded that none of the statistical compilations of the Department of Labor that would be expected to reveal unemployment in the steel industry, from any cause, have shown correlation with the volume of imports. Unemployment in primary metals, half of whose labor force is made up of steel workers, has registered a substantial decline

See footnotes on p. 1860.

since 1959, when imports first began to worry domestic steel producers. In 1968, the unemployment rate in primary metals was well below the national average. Unemployment rates in major steel-producing states in 1968 were also lower than the national average. Of eight major steel-producing centers, the yearly average unemployment rate was lower in 1968 than in 1967 for six, the same in one, and four-tenths of one per cent higher in Gary-Hammond-East Chicago. Lay-offs rose during August, 1968 in iron and steel mills and blast furnaces, to as high as 4.5 employees per 100 but declined thereafter to rates approximating or less than the manufacturing average.

If we look at total steel employment, as set forth in Table 8, the average for 1968 declined by 3,586, but the 551,557 total was still higher than high of the previous years, and the 1968 drop was less than the 6,538 by which the industry total declined in 1969, a year in which there was a 50% improvement in the steel mill products deficit.

In only a few instances have steel producers substantiated claims that imports have forced them to fire workers. In the Dent Committee hearing in 1967, some steel producers presented estimates of unemployment caused by imports. The total number of persons who were said to have lost their jobs because of import competition was 4763. These included all losses of employment up to the time of the hearings, and included shutdowns that had occurred as early as 1959.[34] In two instances, the United Steelworkers of America has convinced a majority of the U.S. Tariff Commission that tariff reductions have caused unemployment. In the Transmission Towers case, there was a drop in employment of 277. In the Buttweld Pipe case, 350 jobs were terminated, but all of the persons displaced had either retired, elected severance pay or had jobs in other departments of ARMCO.[35]

The fact that supplementary unemployment benefit payments have remained almost static over the years, at less than one percent of employment costs, as shown in Table 9, testifies to the minimum impact that imports have had on job opportunities for steel workers. If anything, over the years, the steel companies have had difficulty in retaining their existing jobholders and attracting new employees. Indeed, in his comments on the 1968 lay-offs, Mr. Bernstein remarked that once laid off, the employees would very probably be lost forever to the steel industry, implying that they would elect to retire or take other jobs from which they could not be wooed back to the steel industry.

Finally, it should be noted that in mature steel economies like that of the U.S. and the European Community, there is a tendency for employment to drop as productivity increases, and the supporting data are shown in Table 10. Even in Japan, where output has jumped spectacularly by 68% during the years 1964–1968, employment in the steel industry rose only 2.6%.[36]

### 7. BENEFITS TO THE STEEL INDUSTRY OWNERS FROM MAINTENANCE OF QUOTAS ARE SLIGHT

As pointed out earlier, the steel industry benefits from the stimulus of competition, and since domestic competition is ordinarily muted, it should welcome imports. In any event it is unlikely that the removal of the so-called voluntary quotas would result in imports into the United States in the short run much in excess of the 1968 level. Those imports, it must be remembered, derived in part from the efforts of customers to protect themselves against the consequences of a prolonged strike. Testifying in the fall of 1967, Professor Adams and I took the position that there was no long-run excess capacity.[37] This conclusion needs no qualification today. World demand for steel appears to be growing at the rate of 6% annually, as shown in Table 12. This demand will absorb increases in capacity now contemplated. These views are supported by studies made by leaders in the steel industry. A U.S. Steel Corporation executive anticipates a world demand of 900 million tons in 1977.[38] Professor Manuelli, head of Finsider, in a review of world steel conditions, has concluded that there will be one billion tons of steel capacity required by 1980,[39] this compared with world production in 1969 of 581 million tons. Manuelli estimates that minimum additional investment of $60 billion will be required in the 1970–1980 decade to finance 400 million tons more of capacity, or approximately 40 million tons per year. An analysis by William Verrity, Jr., President of Armco, has reached somewhat similar conclusions. World demand is growing at a rate that has convinced the Japanese producers, who once were careful to coordinate their expansion plans, that this is no longer necessary because for the forseeable future there will be no problems of excess production.[40] In short, the problems of the future appear to lie more

See footnotes on p. 1860.

in securing the necessary iron ore, pellets, and coking coal to ship to Europe and Japan than in devising U.S. storm cellars for shelter against tornadoes of homeless steel.

In some quarters the level of European steel activity has been dismissed as a flash in the pan, on the assumption that the Russians have been responsible for the increment in buying that prices up to was unexpected by the steel industry.

The President of the American Iron and Steel Institute after returning from a European visit in November, 1969 announced that the boom had been stimulated largely by Russian orders, and this theme was echoed by Chairman Martin of Bethlehem Steel.[41] Actually, sales by the European Community to all of Eastern Europe were only 42,000 tons higher in 1969 than in 1968, a growth of 4.7%. As Table 13 shows, Community exports to East Europe were only 14,000 tons less in 1967 than in 1969, and Swiss imports were almost 40% higher than East European imports. It seems much more probable that the Russians who have placed orders for delivery over the next two years of 1.9 metric tons of steel pipe for a natural gas pipeline with a West German firm, will find themselves short of steel for supplying their contemplated expansion of automobile production, and the associated highway expenditures. Demand from mainland China is just beginning to manifest itself in orders to Japan,[42] and if peace comes to Southeast Asia, Japan may be no longer interested in selling large quantities of steel to the U.S. Conversely, according to the Japanese estimates, their maximum physical capacity in 1969 was 89.2 million metric tons.[43] Production in 1969 was 82.2 million metric tons, or about 93 per cent of this maximum *capacity*.[44] In January, 1970, domestic demand had absorbed so large a share of output that a Japanese trading company tried to buy steel from Bethlehem to ship to Argentina.[45]

In spite of the prospects for increased demand over the next decade, the steel industry wonders whether the capital expenditures in the past few years over $2 billion annually for the past four years, will pay off.[46] There is insufficient space here to analyze the nature and causes of the financial difficulties of the steel industry. As revealed in Table 14 the industry has, since the end of World War II, earned a return on net worth in excess of the manufacturing average only once, in 1955, and usually it has been at the bottom of the First National City Bank's list. Whatever the cause of the industry's troubles, imports can not be picked as the villain. Profits were low when the industry had a large export surplus, and in 1969, after quotas had been imposed, there was no sign of recovery. On the basis of a detailed analysis of unit costs published in 1968, Professor Richard S. Thorn found that "The higher productivity of American labor has offset a major portion of the higher wage costs paid U.S. steelworkers. Higher material, transportation and capital costs have largely, or completely, offset any other cost advantages foreign steel producers may have . . . What is lacking is an aggressive price competitiveness to match the high cost competitiveness of the American industry." [47] Nevertheless, inefficiencies are still present. The ex-president of Crucible Steel Company has estimated recently that "at least 50 major steel-producing units or product lines are marginal and should be closed down . . . This creates domestic overcapacity and eats up the profits from the efficient operations. If U.S. Steel and Bethlehem would only run their more efficient facilities and close down everything else, and free up cash flow to develop their natural resources, the earnings would be beautiful." [48]

Support for this estimate was provided by a recent trade publication survey of Inland Steel's open hearth facilities in Chicago, once the largst in the world. Of the 24 furnaces listed in the 1960 American Iron and Steel Directory, only 11 were operable and only 7 of these were regularly used. The 25.1 million tons capacity listed for the Chicago area should probably be reduced by a "few million tons." [49] If and when these obsolescent facilities are permanetly retired we can expect something of an improvement in the earnings rates. The fact that the second largest steel producer, Bethlehem Steel, did not begin to apply objective criteria to its steel investment program until 1969 illustrates the rule-of-thumb procedures under which the industry has operated in the past.[50] Application of advanced managerial analytical techniques may very well lead to placing substantial portions of steel's cash flow outside the industry, instead of automatically re-investing. The industry should recognize market facts.

Old-fashioned attitudes of the industry have not yet died, and until they do, one cannot anticipate that members of the steel industry will realize the returns enjoyed by more flexible and progressive companies. In 1970, for instance, as

See footnotes on p. 1860.

customers whose sources of foreign supply had been cut off turn to U.S. mills, "The domestic mills are not jumping to take their business." Disciplining a wayward customer is still regarded as good practice.[61]

The low rate of return registered in the U.S. steel industry persisting for decades, may be a signal, not that the industry needs protection against efficient competition, but that the volume and value of investment in the industry should be reevaluated. As shown in Table 15, steel is becoming less and less important in manufacturing in the U.S. Charles Baker, of the International Iron and Steel Institute, has predicted that in ten years, about one-third of the steel consumed in the U.S. will be imported, but that half of this amount would be produced by American-owned companies overseas.[62]

8. OUR INTERNATIONAL ECONOMIC STATURE CANNOT BE IMPROVED BY QUOTAS

The quota bill H.R. 3 implies that the import of steel somehow damages our balance of payments. At the outset, I would like to point out the futility, if not the fatuity, of attempting to argue from one trade item, to generalizations about the balance of payments. Let me merely list the errors implicit in this approach; elaborate analysis should be unnecessary. First, economists and experts in international finance are far from agreed on what constitutes a balance of payments in disequilibrium, or difficulties. The two "balances"—the liquidity balance, and the official settlements balance—that the Department of Commerce uses, and which most people refer to, are internally inconsistent, and sometimes (as in 1969) can move in opposite directions. We had a liquidity deficit of about $10 billions, and an official settlements surplus of $2.3 billions. Neither has much significance if taken alone, since in arriving at either one our reserve position is netted out against changes in foreigners' holdings. Our gold reserve may be declining at the same time that the liquidity deficit is decreasing or the official settlements surplus increasing. But the level of the gold reserve itself has ceased to be strategic in an era when the major financial powers simply trade official holdings among themselves. No enlightenment can be derived, however, from examining merely the trade balance for goods and services.

In 1969 our exports, for instance, were only slightly in excess of imports. In order to determine the signficance of any given current balance of trade, it is necessary to analyze other current accounts, also the capital accounts. It may very well turn out that a large share of imports are being financed by an increase in interest and dividend receipts, or by investments from other countries, neither of which are inherently objectionable. In short, the balance of payments has to be examined as a whole before any judgment can be reached about the meaning of any one item in it. The analysis has to take into account the behavior of the rest of the economy, including changes in the price level compared with changes in other countries, military expenditures and so on.

As far as the balance of trade is concerned, it is elementary that we can maintain a large export surplus year after year only by giving or lending other countries the funds to pay for the surplus. If we are unable to continue making loans or gifts, we can maintain our level of exports only by importing; foreigners have no other way of paying for our goods. In such circumstances, imports should be viewed as a means for enabling us to export; the two are intimately related. Efforts to cut down imports will, in the long run, even if we do not take account of retaliation, result in a reduction of exports. It is necessary also to take into account the fact that, as national income rises we inevitably increase our purchases of imports; the relationship is fairly predictable, with every 5% rise in Gross National Product, imports tend to rise by 5% or less, and when the annual increase in GNP exceeds 5%, imports tend to go up substantially.

The fact that our balance of imports and exports may be "adverse" either as a whole, or for one product, has no significance in isolation. We have a deficit in iron ore trade which amounted to 42.6 million tons in 1968, and in 1969 together with pig iron, amounted to a net debit of $357 million at a minimum;[63] yet the steel industry shows no concern over this, nor has there been introduced an orderly marketing bill for iron ore (nor for coffee, or tin, or Scotch whiskey). We import particular products because, in an unregulated, free market, it pays to do so. To single out products, or countries, with import balances, for the imposition of quotas, would hopelessly fragment international trade, raise domestic costs of production, and correspondingly reduce our exports. And we should also at least take account of the benefits of users of steel imports,

See footnotes on p. 1860.

who hire labor and add value in this country to the imported product, before condemning an import.

Still another protectionist argument needs to be dealt with. Union spokesmen, switching to support of quotas, have argued that recent advances in technology justify quotas. "Any country with a seacoast" can compete with the most highly-industrialized nations.[54] In these circumstances, the unions are willing to offer foreign producers a fair share, but only a fair share of the expansion of the American market. Whereas it used to be urged that we should exclude foreign steel because it was produced by cheap labor, we are now told that foreign steel should be excluded because it is produced with advanced technology and management. Both arguments are equally specious. They ask the U.S. consumer to pay more for his steel, in order to preserve inefficiency. If imports actually cause unemployment, compensation should be paid by the taxpayer until the workers find equivalent jobs. But such a procedure is far different from requiring consumers of steel to pay unnecessarily high prices in perpetuity.

The mercantilist views which the union holds on the nature of international trade are further illustrated by its attack on the trading pattern of European Community countries because, forsooth, they import and export steel at the same time. This the union finds "unnatural and uneconomic." [55] Highly industrialized nations have never been complete specialists, and the more industrialized a nation becomes thhe more likely it is to export and import products in the same industry. The fact that, in 1969, imports into the Common Market exceeded exports by 25%, whereas in 1967, exports were 4% more than imports does not demonstrate that the pattern of trade was unnatural. In 1968, the European Community exported 30.9 million tons,[56] and imported, from non-member countries, 2.9 million tons, as shown in Table 16. In 1969, exports to non-members dropped by 8%. For the first half year of 1969, imports from third countries were 2.0 million tons, or 676,000 tons more than in the first half of 1968.[57] These relationships exhibit only the pressure on capacity in West Europe. Even if a European nation, like the U.S., happened to import more steel than it exported this would not demonstrate that the trade was unnatural. There is no preordained pattern of international trade, particularly one which would have every industrialized country show an export surplus.

*Footnotes*

[1] Our computations show average annual consumption 1964–1966 of 96,196; imports in these years averaged 9,542,000 tons.

[2] See Table 2, Chronology of Major Steel Price Increases, and American Metal Market, May 19, 1970.

[3] See Kaplan, Dirlam and Lanzillotti, *Pricing in Big Business: A Case Approach* (1958), pp. 165–175.

[4] Price lists on reinforcing bars were issued July 1, 1969, after a period when there were no published quotations. *American Metal Market,* May 19, 1970, p. 16.

[5] OECD, *The Iron and Steel Industry in 1967 and Trends in 1968* (1968), pp. 59–62.

[6] W. Adams and J. Dirlam, "Steel Imports and Vertical Oligopoly Power," *American Econ. Review,* Sept. 1964, pp. 626–55.

[7] Testimony of Walter Lederer, Chief, Balance of Payments Division, Department of Commerce, in *Steel Prices, Unit Costs, and Foreign Competition,* Hearings before Joint Economic Committee, 88th Cong., 1st Sess., 1962, p. 485.

[8] *Steel Imports,* Staff Study, Committee on Finance, U.S. Senate, Dec. 19, 1967, p. 126.

[9] J. L. Kruseman, *An Analysis of the Economic Effects of Imports and Exports of Steel Products on the U.S. Steel Industry,* 1960–1967, M.Sc. thesis in economics, University of Rhode Island, 1968, p. 41.

[10] *Ibid.,* p. 121.

[11] IMF-Conference on the Iron and Steel, Aluminum and Copper Industries in Liege, September, 1969. *The Steel Industry throughout the World,* p. 13.

[12] *Steel Imports,* p. 27.

[13] *Steel,* Nov. 25, 1968, p. 19; *American Metal Market,* January 15, 1969, p. 1; Jan. 16, 1969, p. 1.

[14] Wall Street Journal, March 11, 1970, p. 1.

[15] *Iron Age,* November 14, 1968, p. 57; Nov. 21, 1968, p. 83; Nov. 28, 1968, p. 61.

[16] Wall Street Journal, May 4, 1970, p. —; American Metal Market, May 4, 1960, p. 6.

[17] American Metal Market, May 20, 1970, p. 1.

[18] Wall Street Journal, Feb. 6, 1970, p. —.

[19] "Oxygen Steelmaking—The Phantasmagoria of Innovative Giantism," *Iron and Steel Engineer,* July 1968, pp. 93–98.

[20] 60.2 million tons as against 60.9 million, AISI, 1/20/70.

[21] American Metal Market, Japanese Metals Section, December, 1969, Section 2, p. 1; AISI.

[22] American Metal Market, May 14, 1970, p. 5.

[23] Cited in A. Wiebel, "United States Steel's Breakthrough in Continuous—Continuous Casting," General Meeting of American Iron and Steel Institute, New York, May 21, 1969, p. 4.

[24] See Iron Age, October 18, 1962, p. 15; Iron Age, January 6, 1955, p. 189; Steel, March 23, 1964, pp. 33–35; 33, August, 1967, "Continuous Casting Installations Worldwide."

[25] *Economic Review*, August 1965, p. 7.
[26] *Industry Week*, December, 1969, p. 58.
[27] U.S. Steel Corp., Comments, Administered Prices, Hearings before Subcommittee on Antitrust and Monopoly, U.S. Senate Committee on the Judiciary, 81st Con., 1st Sess., Pt. 3 (1957), p. 1058; Wiebel, *op. cit.*, p. 1.
[28] A Mannesmann two-strand mill will have a yearly capacity of 840,000 tons. American Metal Market, Japanese Metals Section, Dec. 16, 1969, p. 1A. The Gary continuous caster of U.S. Steel was designed for annual production of 2 million tons. Wiebel, *op. cit.*, p. 15. National Steel's continuous slab caster is fed by only one oxygen converter with 300 ton heat casting facilities to "process seven million tons annually."
[29] U.S. Department of Commerce, Bureau of Census, Highlights of U.S. Export and Import Trade, FT 990/Dec. 1969, Table E-5; Input Output Tables, *Survey of Cement Business*, November 1969.
[30] Statements in American Metal Market, January 16, 1969, p. 7.
[31] L. B. Worthington, Chairman of the American Iron and Steel Institute, Speech, February 8, 1967.
[32] Iron Age, October 24, 1968.
[33] Congressional Record, February 25th, 1970, p. H1270.
[34] Meyer Bernstein, quoted in the American Metal Market, Dec. 1, 1969, pp. 1, 14.
[34a] Impact of Imports on American Industry and Employment, Hearings before General Subcommittee on Labor, Committee on Education and Labor, 90th Cong., 1st Sess., Part 2 (1967), pp. 567–687. In its presentation, Pittsburgh Steel Company alluded to the shut-down of U.S. Steel Corporation's Donora, Pa. integrated plant, which, over a period of 6 years to March 1966 resulted in the displacement of about 5000 jobs. U.S. Steel, however, has not attempted to argue that imports alone caused the shut-down of this antiquated plant.
[35] TC 297, 298, November, 1969.
[36] IMF, *op. cit.*, p. 50.
[37] Senate Finance Committee, Oct. 20, 1967.
[38] Industry Week, May 18, 1970, p. 55.
[39] The International Iron and Steel Institute sets the 1990 demand at 1.5 billion tons.
[40] Japan Journal, March 21, 1970.
[41] N.Y. Times, November 20, 1969, p. 69, col. 3; November 23, Sec. III, p. 1, col. 4.
[42] Industry Week, March 9, 1970, p. 60.
[43] OECD, *The Iron and Steel Industry in 1968 and Trends in 1969* (1969), Table 42.
[44] Japan Metal Bulletin, Feb. 17, 1970.
[45] *Forbes*, Feb. 15, 1970, p. 24.
[46] "Will our revenues, even after higher prices are fully in effect this year, be enough to cover our higher cost and to justify our huge spending for new mills?" American Metal Market, May 27, 1940, p. 4.
[47] "Steel Imports, Labor Productivity, and Cost Competitiveness," *Western Economic Journal*, Vol. VI, No. 5, December 1968, p. 383.
[48] Quoted in Forbes, Feb. 15, 1970, p. 31.
[49] American Metal Market, May 4, 1970, p. 16.
[50] Wall Street Journal, March 11, 1970, pp. 1, 22.
[51] Industry Week, March 2, 1970, p. 62. "Many of these buyers have been taking as much as 80% of their steel in import—and now that they've been cut off they expect us to come to the rescue."
[52] Industry Week, May 18, 1970, p. 15.
[53] Highlights of U.S. Export and Import Trade, U.S. Department of Commerce, Bureau of the Census, FT 990/Dec. 1969. Value of exports of iron ore and pig iron was deducted from value of imports of iron ore; pig iron could not be separated from exports of iron ore.
[54] Statement of United Steelworkers of America, *The Import Problem in Steel*, March 20, 1970, p. 5.
[55] *Statement*, p. 2.
[56] OECD, Iron and Steel Industry in 1968 and Trends in 1969 (1969), Table 35.
[57] EUROPE, April 1, 1970.

## *List of tables*

1. Maximum Allowable Percentages of Imports From Particular Nations H.R. 3.
2. Average Monthly Wholesale Price Indexes, 1959–1969, Industrial Commodities and Steel.
3. Major Steel Price Changes, December 28, 1967–April 30, 1970.
4. Steel Mill Products as a Percentage of Domestic Consumption: The United States and ECSC Member Countries, 1959–1969.
5. Indexes of Output and Output Per Man-Hour in the Iron and Steel Industry for 5 Countries, 1957–68.
6. Percent Change in Unit Labor Cost, Output, and Labor Cost in the Iron and Steel Industry For Five Countries, 1957–1967.
7. Unemployment, Total Separations and Layoffs for Selected Industry Groups, 1959–1969.
8. U.S. Domestic Employment, Production Shipments, Steel Industry, 1959–1969.
9. Employment Statistics for the U.S. Steel Industry, 1959–1969.
10. Steel Output and Employment, U.S. v. EEC.
11. World Crude Steel Consumption.
12. Average Annual Growth Rates of Crude Steel Consumption (in Percent).
13. Exports by Country of Destination from the European Community, 1967–1968.
14. Net Profits After Taxes as Percentage of Net Worth, Steel Industry, and Average, Leading Manufacturing Industries.
15. Employment in the Iron and Steel Industry as a Percentage of Total Employees in Manufacturing.
16. Imports and Apparent Consumption of Steel, ECSC and Member Countries, 1967–1969.
17. Wage Increases in Steel Producing Countries.
18. Steel Export Prices Per Ton, FOB Antwerp, 1966–1970.
19. Steel Shipments and Domestic Consumption, U.S., 1959–1969.

TABLE 1.—MAXIMUM ALLOWABLE PERCENTAGES OF IMPORTS[1] FROM PARTICULAR NATIONS UNDER H.R. 3

[Tons in thousands]

| Country | Average imports from 1964–66 | Percent limitation under H.R. 3 |
|---|---|---|
| ECSC total | 3,539 | 38.5 |
| Belgium-Luxembourg | 1,582 | 17.2 |
| France | 688 | 7.5 |
| West Germany | 1,025 | 11.2 |
| Netherlands | 85 | .9 |
| Italy | 159 | 1.7 |
| United Kingdom | 585 | 6.4 |
| Norway | 22 | .2 |
| Sweden | 69 | .7 |
| Yugoslavia | 14 | .2 |
| Poland | 78 | .8 |
| Canada | 676 | 7.4 |
| Mexico | 113 | 1.2 |
| Argentina | 35 | .4 |
| Republic of South Africa | 21 | .2 |
| Japan | 3,905 | 42.5 |
| Australia | 70 | .8 |
| Other | 65 | .7 |

[1] Includes only steel mill products.

Source: Derived from Foreign Trade Trends, 1969.

TABLE 2—AVERAGE MONTHLY WHOLESALE PRICE INDEXES, 1959–69, INDUSTRIAL COMMODITIES AND STEEL

(1957–59=100)

| Period | Industrial commodities | Iron and steel | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Total iron and steel | Steel mill products | | | Other iron and steel products | | | |
| | | | Total | Finished | Semi-finished | Pig iron and ferro-alloys | Iron ore | Scrap iron and steel | Foundry and forgings |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| 1959 | 101.3 | 101.8 | 102.2 | 102.3 | 102.2 | 100.3 | 96.4 | 96.7 | 102.3 |
| 1960 | 101.3 | 100.6 | 102.1 | 102.1 | 102.0 | 96.3 | 97.1 | 79.9 | 103.4 |
| 1961 | 100.8 | 100.7 | 101.7 | 101.7 | 101.8 | 94.7 | 98.1 | 84.7 | 103.1 |
| 1962 | 100.8 | 99.3 | 101.4 | 101.4 | 101.8 | 91.1 | 93.9 | 69.0 | 103.6 |
| 1963 | 100.7 | 99.1 | 102.0 | 102.0 | 102.3 | 81.8 | 93.1 | 66.5 | 103.6 |
| 1964 | 101.2 | 100.5 | 102.8 | 102.8 | 103.5 | 77.7 | 90.6 | 79.3 | 104.7 |
| 1965 | 102.5 | 101.4 | 103.3 | 103.3 | 103.3 | 80.2 | 90.5 | 81.6 | 106.1 |
| 1966 | 104.7 | 102.3 | 104.7 | 104.7 | 103.7 | 80.2 | 90.5 | 77.3 | 108.0 |
| 1967 | 106.3 | 103.5 | 105.9 | 106.0 | 105.0 | 80.0 | 89.9 | 72.5 | 111.6 |
| 1968 | 109.0 | 105.5 | 108.9 | 108.6 | 107.3 | 80.7 | 88.2 | 67.4 | 115.0 |
| 1969 | 112.7 | 111.0 | 113.7 | 113.8 | 112.4 | 81.7 | 88.2 | 80.1 | 119.3 |
| CURRENT MONTHS | | | | | | | | | |
| 1968: | | | | | | | | | |
| Oct | 109.7 | 106.7 | 110.5 | 110.7 | 107.6 | 80.8 | 88.2 | 61.4 | 116.2 |
| Nov | 109.9 | 106.0 | 109.1 | 109.3 | 107.6 | 80.8 | 88.2 | 63.7 | 116.8 |
| Dec | 110.2 | 106.1 | 109.1 | 109.2 | 107.6 | 80.8 | 99.2 | 64.7 | 117.3 |
| 1969: | | | | | | | | | |
| Jan | 110.9 | 107.5 | 110.4 | 110.5 | 109.8 | 79.7 | 88.2 | 69.9 | 117.7 |
| Feb | 111.4 | 108.0 | 110.7 | 110.7 | 110.2 | 79.7 | 88.2 | 74.2 | 117.7 |
| Mar | 112.0 | 108.0 | 111.7 | 111.8 | 110.8 | 79.7 | 88.2 | 73.5 | 118.0 |
| Apr | 112.1 | 108.9 | 111.9 | 112.0 | 110.8 | 79.7 | 88.2 | 71.9 | 118.3 |
| May | 112.2 | 109.9 | 112.7 | 112.7 | 113.3 | 79.7 | 88.2 | 78.6 | 118.5 |
| June | 112.2 | 110.3 | 112.8 | 112.8 | 113.3 | 79.7 | 88.2 | 79.4 | 119.4 |
| July | 112.4 | 111.1 | 113.6 | 113.7 | 113.3 | 82.1 | 88.2 | 79.4 | 120.4 |
| Aug | 112.8 | 112.7 | 115.4 | 115.6 | 113.3 | 83.3 | 88.2 | 83.4 | 120.2 |
| Sept | 113.2 | 113.2 | 115.5 | 115.7 | 113.3 | 83.4 | 88.2 | 88.9 | 120.1 |
| Oct | 113.8 | 113.7 | 116.4 | 116.7 | 113.3 | 84.4 | 88.2 | 86.9 | 120.1 |
| Nov | 114.2 | 113.7 | 116.4 | 116.7 | 113.7 | 84.4 | 88.2 | 86.6 | 120.3 |
| Dec | 114.6 | 113.9 | 116.4 | 116.6 | 113.7 | 84.4 | 88.2 | 88.5 | 120.7 |
| 1970: | | | | | | | | | |
| Jan | 116.1 | 114.6 | 115.5 | 115.7 | 114.4 | 87.6 | 88.2 | 100.8 | 122.3 |
| Feb | 116.5 | 117.0 | 117.7 | 117.9 | 114.4 | 87.6 | 90.2 | 111.6 | 122.4 |
| Mar | 116.8 | 117.7 | 118.4 | 118.7 | 114.4 | 88.1 | 90.2 | 111.3 | 123.4 |
| Apr | 116.2 | 117.3 | 118.7 | 119.0 | 114.4 | 89.1 | 90.2 | 101.8 | 123.9 |

Source: AISI; U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 98 | Dec. 28, 1967 | United States Steel | | Cold-rolled strip | Increase $5 per ton | Followed increase by Interlake of cold-rolled strip. |
| | | | | Standard rails | Increase $5 per ton | Kaiser studying the action. |
| | | | | Wrought steel wheels | Reduction 3½ percent | |
| 99 | Jan. 17, 1968 | Allegheny-Ludlum | | Tool and high speed steels | Increase (not given) | |
| 100 | Apr. 3, 1968 | United States Steel | Republic | Seamless electric and weld pipe. | Increase $10 a ton or 4 percent | Increase due to increasing imports of foreign steel which rose in the first 2 months of the year, 42 percent from a year ago. |
| | | | | Stainless steel plate for chemical plant use. | Increase $75 a ton of 7½ to 10 percent. | |
| | | Cruicible Steel Co | | Stainless bars and wire. Cold finished high carbon stainless wire extras. | Increase of 4 percent and upward | Increase on bars was effective Mar. 6 and with extras on Mar. 26. Company blamed "increased costs at the mill" as the cause. |
| 101 | Apr. 4, 1968 | United States Steel | | Grainless oriented electrical steel. | Increase $14 a ton or over 3 percent. | Armco Corp. ahd Allegheny-Ludlum are studying situation. |
| 102 | Apr. 7, 1968 | do | Youngstown | Oil industry goods | Increase $7 a ton or 3 percent | |
| 103 | Apr. 16, 1968 | Kaiser | | Canmaking tin plate | Increase of $0.05 a base box or 0.5 percent. | Other tinplate makers are studying the move. |
| 104 | Apr. 17, 1968 | United States Steel | | Portion of stainless steel plate | Reduction to price increase of Allegheny-Ludlum. | Allegheny-Ludlum said their increases were "considerably under" those first announced by United States Steel. |
| | | | Jessop Steel Co | Stainless plate | Increase average $.02 to $.0350 a pound or about 4 percent. | |
| | | | Eastern Stainless | | Raising prices | |
| 105 | Apr. 18, 1968 | do | | Alloy grade hot rolled bars, alloy plates, and alloy semi-finished products. | Increase $.0050 a pound or $10 a ton. | |
| 106 | May 8, 1968 | do | Jones & Laughlin and others | Important products including gas and water pipe, galvanized sheet and hot-rolled sheet and strip. Unconfirmed reports on cold-rolled sheet. | Reductions meeting low prices foreign mills are quoting customers. | United States Steel has sought to keep reductions quiet, fearful of any general breaks in steel prices. United States Steel's strategy breaks norms of past industry practice. Other firms are fearful that price cutting will spread. Industry sources say United States is out to increase its share of the market which has been gradually declining. Industry is waiting to see what move foreign importers take. So far there have been no reductions in import prices. |

See footnote at end of table, p. 1879.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]—Continued

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 107 | May 9, 1968 | | | | | Bethlehem Steel announced it will not join in price cuts to meet import prices. Says it can't meet foreign competition "without going broke," due to cost difference, especially wage costs. |
| 108 | May 12, 1968 | | | | | Armco Steel, Inland, & Jones and Laughlin say they will not follow price cuts to meet import prices. Armco said "Domestic price cuts sufficient to block imports would lead the U.S. steel industry to bankruptcy." |
| 109 | June 12, 1968 | United States Steel | Armco Corp. in the Chicago market. | Certain grades of flat-rolled stainless steel. | Offering discounts of as much as 20 percent on bulk orders of at least 100 tons, the same sources say on 35 tons and less. | United States Steel is trying to boost its market share back up to 30 percent and compete with foreign stainless imports. |
| 110 | July 2, 1968 | | Crucible | Stainless steel sheet | Declined to give exact discount—it varies with amount purchased. | Discounts are given to compete with imports mainly. |
| 111 | July 15, 1968 | Carpenter Steel Co | | Stainless cold-finished bar and wire in straight lengths. | Narrowing discount from 10 perent to 5 percent. | Narrowing due to fact of increasingly unstable prices in recent weeks. Move being studied by Armco, Republic, and Cyclops. |
| 112 | July 23, 1968 | Allegheny-Ludlum | | Stainless steel sheet coils | Reduction in coil size extras of about 1 cent per pound. Increase in discount of 36 inch and 48 inch widths to 9 percent or 10 percent from 5 percent. | |
| 113 | July 31, 1968 | Bethlehem | Armco | Across the board | Increase of slightly less than 5 percent. | Industry claims the price boost was justified. President Johnson called it "unreasonable" and said it should not be permitted to stand. There was no indication of forcing a roll-back, however. Chief economists stated that increases were not justified, even a 2 percent increase was too high for steel firms. This could be disasterous to Government efforts to control inflation. |
| | | | United States Steel | Tinplate products | Increase from .6 percent to 9.7 percent. | |
| | | | Republic | Principal mill products | Increase of 4.5 percent | |

| | | | | | |
|---|---|---|---|---|---|
| 114 | Aug. 1, 1968 | U.S. Steel | Structural shapes, pilings and plates. | Increase from 4 to 6 percent | The Pentagon has ordered military buyers to shun steel made by Bethlehem and others that have raised prices. 1 Senator said steel firms are "putting profits above patriotism." President Johnson summoned Congressional leaders to confer on situation, but didn't ask for a rollback. United States Steel denied that steel price increases caused inflation. |
| | | Inland Steel and Pittsburgh Steel. | Across the board | Increase of slightly less than 5 percent. | |
| | | Phoenix Steel | Steel plates | Increase of 6 percent | |
| 115 | Aug. 2, 1968 | Jones & Laughlin | Everything except tin-mill alloy and stainless products. | Increase about 5 percent | Because of imports, mainly Japanese, steel firms claim that although Western consumption of steel has risen 8 percent this year, the business available to U.S. companies has fallen 3 percent. |
| | | Armco | Everything but stainless | Increase about 5 percent | |
| | | Youngstown Sheet & Tube | Hot and cold rolled sheet; galvanized sheet and plate. | Increase by an "unspecified amount." | |
| | | Kaiser | Carbon steel plates and structural shapes. | Increase of $7 per ton or 6 percent | |
| | | | Tin-mill products | Increase not announced as yet | |
| | | National | Tin free steel and tin-mill products. | Increase similar to United States Steel. | |
| | | Crucible | Stainless steel bar products | Increases from $4 to $11 per ton or average of 4 percent. | |
| | | Allegheny-Ludlum | Hot-rolled and cold-finished stainless steel solid bars. | Cancelled 10 percent discount for orders less than 500 pounds each. | |
| | | Edgewater Corp | Wrought-iron wheels | Increase of 5 percent | |
| 116 | Aug. 5, 1968 | Crucible | 9 grades of stainless strip and 7 grades of sheet. | Increase of 3 percent | |
| | | | 4 grades of strip and 3 grades of sheet. | Decrease of 4 percent | |
| 117 | do | Republic | Steel going into shells, bombs, and barbed wire. | Will not increase prices on these military products. | United States Steel had not included increases on these military products last week. Pittsburgh Steel, Bethlehem, and Inland will hold firm. The FTC made a study of the economic justification of higher steel prices. |
| | | Armco | Stainless steel or seamless pipe used in bomb production. | Will not increase prices on these products. | |
| | | | Sheel steel used in ammunition and naval gun shells. | Increase of $6 per ton | Steel companies claim prices had not been raised in the 1st place on military supplies. |

See footnote at end of table, p. 1879.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]—Continued

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 118 | Aug. 7, 1968 | United States Steel | | Big volume products such as sheet and strip, bar and rods, and some alloy products. | Increases of $450 to $8 per ton but only a 2.5 percent overall increase. | Chairman of the President's Council of Economic Advisers said "the American consumer has been saved $500,000,000 of inflation." |
| | | | Republic, Bethlehem, Youngstown, Jones & Laughlin, Inland, Pittsburgh. | | Across the board decreases to remain "competitive." | |
| | | | National, Pittsburgh | Hot-rolled sheet and strip, cold-rolled sheet, hot-rolled bars, and full-alloy plates and bars. | Increase to match United States Steel's. | |
| | | | Eastern Stainless | Chrome-nickel stainless steel sheet and plate major products. | Increase of 5 percent | Steel price increases since 1958 have only totaled 5½ percent said United States Steel. Employment costs have risen 44 percent and the cost of living has risen 20 percent. Therefore, it should be clear that the steel industry is not the cost of living culprit. |
| | | | | Sheet coil widths | Decrease 1 cent per lb. or 2 percent on extra charges. | |
| | | | Allegheny-Ludlum | Stainless sheet and strip | Increase averaging less than 3 percent. | |
| | | | | Sillicon electrical steels in sheet and strip form. | Increase of $12 per ton or 3½ percent. | |
| | | | Armco | Stainless steel sheet, strip, bar, wire, and billet, and bar size extras. | Selective increases and decreases. | |
| | | | | Carbon steel | Decrease in prices to be competitive with United States Steel. | |
| | | | Granite City | Carbon steel plate | Incre se of 35 cents per 100 lbs. Increase of base price from present price of $5.75 to $6.10 per 100 lb. | |
| | Aug. 6, 1968 | | Carpenter | Stainless and tool steel bars | Increases in price | |
| 119 | Aug. 13, 1968 | | Crucible | Stainless steel bars and related products. | Decreases of about 1 percent of 12 bar grades. | |
| | | | | Type 321 stainless bars | Increase of 3½ cents per lb. or 5.3 percent. | |
| 120 | Aug. 15, 1968 | Initiator had been Allegheny-Ludlum. | do | 20 tool-steel products | Increases from less than 2 percent to more than 7 percent. | |
| 121 | Aug. 16, 1968 | To be competitive | do | Stainless steel sheet, certain grades. | Increase to be competitive | |
| | | | | 2 grades of sheet | Decrease in price | |
| | | | | Width and gage extras on sheet coil and cut sheets. | Reduction to compete with United States Steel of 1 cent per pound. | |
| | | | | Stainless strips | Selective increase and decreases. Increases amounting to under 3 percent. | |
| | | | | Stainless bars | Rollback of price boosts announced | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 122 | Aug. 22, 1968 | Detroit Steel Corp. | | 4 grades of cold rolled untempered spring steel. | Increase of 50 cents per hundredweight. | |
| 123 | Aug. 29, 1968 | Allegheny-Ludlum | | Stainless cold rolled sheet and strip. | Rollback of price increases announced previously on Aug. 7. | |
| 124 | Sept. 13, 1968 | do | | Steel billets | Increase of 2½ cents per pound | |
| | | | | Steel bars | Increase of 3 cents per pound | |
| 125 | Oct. 7, 1968 | United States Steel and others | | High-volume steel products | Reductions of up to 20 percent | If the situation continues, it will mark the first sustained price competition among domestic steel companies in decades. |
| 126 | Oct. 18, 1968 | United States Steel | | Certain tubular steel products | Increase averaging less than 4 percent. | Armco had no comment on increase and Republic said they just found out. |
| | | | | Buttweld pipe | Increase of $6 per ton | |
| 127 | Oct. 28, 1968 | | Bethlehem, Youngstown, Armco. | Line pipe only | Increase the same as United States Steel. | |
| 128 | Oct. 30, 1968 | | Jones & Laughlin | do | Increase averaging $6 to $10 per ton. | |
| 129 | Nov. 4, 1968 | Bethlehem | Armco, Republic, Inland, Youngstown, Pittsburgh, Jones & Laughlin. | Hot-rolled carbon sheet steel | Reduction of $25 per ton or from $113.50 to $88.50, a 22-percent price cut. | Jones & Laughlin said it won't trim its published base price, but will reduce delivered prices. United States Steel and National are studying the situation. This slash was a shock. Armco and Inland both underlined their dislike for the price cut. |
| 130 | Nov. 7, 1968 | | United States Steel, Kaiser, Jones & Laughlin Granite City. | Hot-rolled steel sheets | Reduction of $25 per ton or 22 percent. | National still holding out. |
| 131 | Nov. 10, 1968 | | Wheeling | do | Reduction of $25 per ton | Bethlehem said they made the reduction to meet "competition" both domestic and foreign. |
| 132 | Nov. 19, 1968 | United States Steel | Inland, Jones & Laughlin, Bethlehem. | High strength, low alloy hot rolled sheet. | Reduction of $25 per ton | Mills have shaded prices on various products such as galvanized and cold-rolled sheet and strip. |
| | | Inland, Jones & Laughlin, Bethlehem, Youngstown, Interlake, Republic. | | Hot rolled carbon strip | Reduction of price | |
| 133 | Nov. 28, 1968 | United States Steel | | Hot-rolled sheet | Increase of 28 percent from $88.50 per ton. | Other steelmakers are studying the move. 1 mill called the $8 per ton rise on galvanized sheet "long overdue." |
| | | | | Galvanized sheet | Increase of 5 percent from $155.50 per ton. | |
| | | | | Aluminum coated | Increase of 4 percent from $201.50 per ton. | |
| | | | | Hot-rolled bands | Set base price of $110 per ton | |
| | | | Wheeling | Galvanized sheet | Increase of 5 percent | |
| 134 | Nov. 29, 1968 | | Republic | Hot-rolled carbon sheets | Increase of $25 per ton | |
| | | | | Galvanized sheet | Increase of $8 per ton | |

See footnote at end of table, p. 1879.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]—Continued

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 135 | Dec. 3, 1968 | | Bethlehem | Galvanized sheet | Increase of $8 per ton or 5 percent | |
| 136 | Dec. 6, 1968 | Bethlehem | | Hot-rolled carbon sheet | Increase from $88.50 per ton to $117 per ton. | Other steelmakers are studying the move. Many industry sources say they doubt a "2-tier" system of pricing for hot-rolled sheet could exist. |
| | | | | Hot-rolled bands | Set a base price of $110 per ton | |
| | | | Granite City, Kaiser | Galvanized sheet | Increase of $8 per ton | A Bethlehem official stated that what made Bethlehem cut prices in November by $25, was the loss of 2 contracts, each for more than 20,000 tons to United States Steel. |
| | | | Armco | Galvanized and aluminum-coated sheets | do | |
| | | | | Long-terne sheets | Increase of $7 per ton | |
| 137 | Dec. 10, 1968 | | National | Galvanized sheet except electrolytic type | Increase of $4 per ton or 2.5 percent | National felt the $8 per ton increase was too high for current competition. |
| 138 | Dec. 11, 1968 | | Inland | Hot-rolled carbon sheet | Increase to $117 per ton | The move is viewed by the industry as further indication United States Steel won't succeed at its attempt to initiate a price increase to $125 per ton. |
| | | | | Aluminum-coated and galvanized sheet | Increase of $4 per ton | |
| | | | | Hot-rolled bands | Set base price of $110 per ton | |
| 139 | Dec. 12, 1968 | | Armco and Granite City | Hot-rolled carbon sheet | Increased to $117 per ton | A seemingly price stability is believed to be shortlived. |
| 140 | Dec. 13, 1968 | | Republic | do | Rollback of price to $117 per ton | The effective increase to $125 per ton was postponed by United States Steel It is believed they will roll back its price increase to $117. |
| | | | United States Steel | Galvanized and aluminum-coated sheets | Rollback of price by $4 per ton to $159. 50. | |
| 141 | Dec. 23, 1968 | | United States Steel, National | Hot-rolled carbon sheet | Rollback of price to $117 per ton | |
| 142 | Dec. 18, 1968 | United States Steel | National | Sheet piling | Increase of $7 per ton | |
| 143 | Dec. 26, 1968 | do | | Railroad steed products including rails, axels, wheels, joint bars, and tie plates. | Increase of 4 percent | Bethlehem Steel declined comment. |
| | | | Jones & Laughlin | Carbon semifinished steel | Increase of $5 per ton or 4.6 percent. | |
| | | | | Alloy semifinished steel | Increase of $7 per ton or 5.5 percent. | |
| | | | | Alloy ingots | Increase of $7 per ton or 8 percent | |
| 144 | Jan. 1, 1969 | Inland Steel | Republic, Armco, United States Steel. | Hot-rolled strip | Increase of $17 per ton to $105 | |
| | | United States Steel | Edgewater Corp | Steel railroad wheels | Increase of 4 percent | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 145 | Jan. 3, 1969 | Allegheny | Armco | Nickel-bearing stainless steel | Increase of 3.5 percent | United States Steel and Republic are studying the situation. |
| | | | Crucible | do | Increase of 2.5 percent | |
| | | | Carpenter | do | Increase of 3 percent | |
| | | Armco | | Secondary steel products such as hot-rolled, hot-pickled, long terne, galvanized and aluminum secondary products. | Inerease in price | |
| | | Competing firms | Wheeling-Pittsburgh | Hot-rolled carbon steel strip | Decrease in price from $113.50 to $105 per ton. | |
| 146 | Jan. 6, 1969 | Armco | | Nickel-bearing stainless steel sheet and strip. | Withdrawal of 3.5 percent increase | Armco says it is studying the market situation. Still no word from Republic or United States Steel. |
| | | Competing firms | Granite City | Hot-rolled strips | Decrease in price to $5.25 per 100 pounds. | |
| 147 | Jan. 7, 1969 | | Republic and Jones & Laughlin. | Nickel-bearing stainless steel products. | Increase of 3.5 percent | Industry says that Crucible is the key If Crucible does not adjust upward, the large companies will adjust downward. |
| | | | United States Steel | Extra charges on nickel-bearing alloys. | Increase of $3 per ton | Increase due to rise in price of nickel. |
| | | do | Republic | Hot-rolled sheets | Decrease of $6 and $12 per ton | |
| | | do | National | Hot-rolled strip | Decrease from $113.50 to $105 | |
| | | do | Armco | Railroad wheels | Increase of less than 4 percent | |
| 148 | Jan. 8, 1969 | do | do | Nickel-bearing stainless sheet and strip, bar, rod, and billet products. | Increase of 3.5 percent | United States Steel has not yet acted. |
| | | | Universal-Cyclops | Stainless wire, rod, and billets | do | |
| | | | Sharon Steel | Stainless sheet and strip | do | |
| | | | Crucible Steel | Stainless bar, wire, and rod products. | Increase of 3 to 3.5 percent | |
| 149 | Jan. 9, 1969 | | United States Steel, Eastern Stainless Steel Corp. | All grades of nickel-bearing stainless steel products, including sheet and strip. | Increase of 3.5 percent | |
| 150 | Jan. 21, 1969 | United States Steel, Jones & Laughlin. | Wheeling-Pittsburgh | Continuous weld pipe | Increase of $6 per ton | |
| 151 | Feb. 3, 1969 | Bethlehem | Jones & Laughlin | Hot-rolled carbon steel sheet | Increase from $117 to $129 per ton | Other producers are expected to do the same. |
| | | | | Hot-rolled bands | Increase from $110 to $124 per ton | |
| | | | | Pickling process | Reduction of $4 per ton | |
| 152 | Feb. 5, 1969 | | Republic, Inland, Youngstown Sheet & Tube, Wheeling-Pittsburgh. | Hot-rolled steel sheet | Increase from $117 to $129 per ton | United States Steel has not yet moved. |
| | | | | Hot-rolled bands | Increase from $110 to $124 per ton | |
| 153 | Feb. 6, 1969 | Inland | Republic, United States Steel, Armco. | Hot-rolled strip | Increase of $117 to $105 per ton | Armco had to increase price, whereas United States Steel and Republic decreased prices to meet Inland. Inland was following Interlake who moved in November. |
| | | United States Steel | Edgewater | Steel railroad wheels | Increase of 4 percent | |

See footnote at end of table, p. 1879.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]—Continued

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 154 | Feb. 7, 1969 | Sharon Steel | | Hot-rolled carbon strip | Increase from $113.50 to $120 per ton. | Major mills had no immediate comment. |
| 155 | Feb. 24, 1969 | United States Steel, Republic, Wheeling-Pittsburgh. | | Hot-rolled carbon steel strip | Increased to $129 per ton. Reduction of extra charges for processing the product of $12 per ton. | Other major mills said they are studying the move. |
| 156 | Mar. 17, 1969 | United States Steel | Jones & Laughlin | Tubular products | Increase of 3.9 percent | Bethlehem said it is studying the situation. |
| | | | | Oil-country casing | Increase of $8 per ton | Other steel producers had no comment. |
| | | | | Seamless and electric weld standard and line pipe. | do | One industry analyst expects the boosts to spread. |
| | | | | Charges for threading and cooling electric and seamless weld standard and line pipe. | Increase of $5 per ton | |
| 157 | Mar. 24, 1969 | | Wheeling-Pittsburgh | Oil-country casing, tubing, and drill pipe. | Increase of 4 percent | |
| 158 | Apr. 10, 1969 | Jones & Laughlin, Armco, and Republic unannounced. | Washington Steel | Stainless steel sheets | Increase of price by ending most discounts. | Sources say Washington Steel is merely following a similar move made by Jones & Laughlin, Armco, and Republic, which was never announced to the public. |
| 159 | Apr. 15, 1969 | Republic | | Broad range of steel bar products. | Increases averaging 3.6 percent | Most mills declined comment on the move. One steel sales official said it looked like products were being raised in price one by one. |
| 160 | Apr. 18, 1969 | | United States Steel, Inland, Bethlehem. | Various bar products | Increases averaging 3.6 percent | It would appear that mills are anxious to raise prices while demand is still strong. |
| 161 | Apr. 28, 1969 | Bethlehem, Inland | | Track spikes (rail) | Increase of $8.60 per ton | These price moves follow the recent pattern in which one mill leads off price boosts on certain products and is followed by other mills, which, in turn, add new products to the list. |
| | | United States Steel | | Converter fine rods | Increase to $120 per ton | |
| | | | Bethlehem, Jones & Laughlin, Republic. | Wire-rod products | Increases up to 5 percent | |
| | | Bethlehem | | All wire products | Increases averaging 3.5 percent. | |
| 162 | May 2, 1969 | Carpenter | | Nickel-bearing stainless steel bar, wire, and forging billets. | Increase of 1 to 5 cents per pound | The price boosts were needed to offset the high price of nickel scrap. Armco, the only commenter, said it is studying the rise. |

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| 163 | May 6, 1969 | Following Bethlehem | United States Steel | Certain cargon wire products | Increase of $5 to $10 per ton or an average of 3 percent. | |
| | | | Armco | Carbon wire products | Increase averaging 3.5 percent. | |
| 164 | May 9, 1969 | | Jones & Laughlin | Certain wire products | Increases ranging from $4 to $10 or an average of 3 percent. | |
| 165 | May 16, 1969 | Following Carpenter | Armco | Wide range of nickel-bearing stainless products bar, billets, sheet, and strip. | Increase by 25 cents per pound per 1 percent of nickel content. | Republic Steel is studying the situation. The increase was made due to the shortage of nickel scrap and its high price. |
| 166 | May 20, 1969 | | Allegheny-Ludlum | Most nickel-bearing stainless steels sheets, strip, bar, billets, rod, wire. | Increase of ¼ cent per pound or $5 per ton per 1 percent of nickel content. | Increase is due to increased nickel prices and shortage. |
| 167 | May 21, 1969 | Carpenter | | Stainless strip products | Increase of 25 cents per pound per 1 percent nickel content. | Increase due to sharp rise in cost of nickel scrap and pure nickel. |
| | | | United States Steel | Most nickel-bearing stainless steels: sheet, strip, plate, angle and wire. | Increase of 25 cents per pound per 1 percent nickel content or $5 per ton per 1 percent nickel content. | |
| 168 | May 22, 1969 | | Phoenix Steel, Eastern Stainless Steel. | Stainless steel plate type 30 | Increase of 2¼ cents per pound from 2¼ cents price. | Previous reason stated. |
| | | | | Type 316 plate | Increase of 3 cents per pound from 67¾ cents per pound. | |
| | | | Eastern | Stainless sheet and strip | Increase in price | |
| 169 | May 23, 1969 | | Washington Steel | Nickel-bearing stainless sheet and strip. | Increase of 25 cents per pound per 1 percent of nickel content. | Crucible, the only major stainless producer who has not raised prices, declined comment. |
| 170 | May 30, 1969 | Edgewater Corp | | Steel ring products | Increase of 3 percent | Increase reflects recent price boosts on steel bars used to make steel rings. |
| 171 | June 4, 1969 | United States Steel | | Steel plates and structural shapes. | Increase of 4½–5½ percent | Washington is not expected to comment on the move. Bethlehem Steel declined comment. Other companies are studying the action. |
| 172 | June 5, 1969 | Detroit Steel Corp | (Following others) | Certain wire products | Increase of 3 percent | |
| 173 | June 10, 1969 | Following United States Steel | Bethlehem, Northwestern Steel & Wire, Kaiser Steel, Inland Steel. | Structural shapes and steel plates. | Increase of 5½ percent | |
| 174 | June 11, 1969 | | Jones & Laughlin, Armco, Phoenix Steel, Republic Steel. | Structurals and plates | Increase of 4½–5½ percent | |
| | | | | Steel plates | Increase of 4½–5½ percent | |
| 175 | June 11, 1969 | Bethlehem | | Reinforcing bars | Increase of $7 per ton to $102 or 7.4 percent. | Others are expected to follow. |
| 176 | June 13, 1969 | Following others | Cyclops Corp | Certain high-temperature grades of nickel-bearing steel in bars, wire, sheet, strip, and billets. | Increase of 0.4 cent per pound of nickel contained in each alloy. | |
| 177 | June 20, 1969 | Following United States Steel | Wheeling-Pittsburgh | Hot-rolled carbon plates | Increase of $7 per ton | |

See footnote at end of table, p. 1879.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]—Continued

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 178 | June 27, 1969 | Following Bethlehem | U.S. Steel, Inland Steel | Reinforcing bars | Increase of 7.4 percent | These prices of $102 per ton are below the 1961 quotes. Other mills are expected to follow. |
| 179 | July 8, 1969 | Wheeling-Pittsburgh | | Electrogalvanized sheet products. | Increase of $6 per ton or 3.6 percent. | The Council of Economic Advisers had no comment. Analysts feel prices will stick. Prices will rise on such things as autos, appliances, and other consumer goods. 1 steel buyer commented: "This opens Pandora's box." United States Steel competitors are shocked and will probably follow suit. |
| 180 | July 30, 1969 | United States Steel | | Cold-rolled sheet | Increase of $8 per ton or 5.6 percent. | |
| | | | | Hot-rolled sheet and strip | Increase of $6 per ton or 4.7 percent. | |
| | | | | Galvanized and coated sheets | Increase of $9.50 per ton or 5.7 percent. | |
| | | | | Regular tinplate | Increase of $0.50 per base box or 6.5 percent. | |
| | | | | Extra-thin tinplate | Increase of $0.35 per base box or 5.1 percent. | |
| 181 | July 31, 1969 | | Inland Steel | Cold-rolled sheet | Increase of $8 per ton | |
| | | | | Hot-rolled sheet and strip | Increase of $6 per ton | |
| | | | | Regular tin plate | Increase of $0.50 per base box | Price increase will lead to an average rise in prices from Japan by $4 per ton. |
| | | | | Extra thin tinplate | Increase of $0.35 per base box | |
| | | | | Galvanized products | Increase of $4.50 per ton | |
| | | | Armco | Hot-rolled sheet | Increase of $6 per ton | |
| | | | | Cold-rolled sheet | Increase of $8 per ton | |
| | | Armco | | Cold-rolled strip | do | |
| | | Following United States Steel | C.F. & I | Wire rope | Increase of 5 percent | |
| | | | | Jobber prices on bale ties | Increase of $10 per ton | |
| | | | | Jobber prices on poultry netting | Increase of $38 per ton | |
| 182 | Aug. 1, 1969 | | Bethlehem | Hot-rolled sheet and strip | Increase of $6 per ton | Nixon administration still shows no response. GM is quite upset. |
| | | | | Cold-rolled sheet | Increase of $8 per ton | |
| | | | | Galvanized and coated sheets | Increase of $4.50 per ton on base price. Also, reduction of certain charges. | |
| | | | | Tinplate | Increases of $.50 and $.35 per box | |
| | | | Sharon Steel Corp | Hot-rolled sheet and strip | Increase of $6 per ton | Republic, National, and Youngstown are the only 3 big producers who have not moved. |
| | | | Kaiser Steel Corp | Cold-rolled sheet | Increase of $8 per ton | |
| | | | | Hot-rolled sheet and strip | Increase of $6 per ton | |
| | | | | Cold rolled sheet | Increase of $7 per ton | |
| | | | | Galvanized and coated sheets | Increase of $4.50 per ton | |
| | | | | Tinplate | Increase of $.50 and $.35 per box | |
| | | | Armco Jones & Laughlin | Terne-plate | Increase of $8 per ton | |
| | | | | Galvanized and coated sheets | Increase of $9.50 per ton | |

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| 183 | | Following Inland | United States Steel | do | Reduction to $4.50 per ton increase | |
| | | Following United States Steel | Republic, J & L, National, Wheeling, Pittsburgh. | Same increases as United States Steel. | | |
| | | | Jones & Laughlin | No price move on tin plate | | |
| | | | Republic | Cold-rolled strip | Increase of $10 per ton | |
| | | | Wheeling-Pittsburgh | Low-carbon cold-rolled strip | do | |
| | | | do | High-carbon rolled strip | Increase of $12 per ton | |
| | | | Sharon Steel | Low-carbon cold-rolled strip | Increase of $10 per ton | |
| | | | | Cold-rolled annealed spring steel. | Increase of $12 per ton | |
| | | | Allen Wood Steel | Hot- and cold-rolled sheet and strip. | Increase similar to larger firms | |
| 184 | Aug. 5, 1969 | | Youngstown Sheet & Tube | Hot-rolled sheet, band, and strip. | Increase of $6 per ton | |
| | | | | Cold-rolled sheet and enameling iron. | Increase of $8 per ton | |
| | | | | Galvanized sheet | Increase of $4.50 per ton | |
| | | | | Tin-coated sheet | Increase of $9.50 per ton | |
| | | | | Tinplate | Increase of $0.50 and $0.35 per box | |
| | | | | Chromeplate | Increase of $0.25 per base box | |
| | | | | Extra thin chromeplate | Increase of $0.35 per base box | |
| | | | Granite City Steel | Same increases as other producers. | | |
| | | Armco | | Grain-oriented electrical steel | Increase of $14 per ton | |
| | | | | Nonoriented steel | Increase of $10 per ton | |
| | | Sharon Steel | | Hot-dipped galvanized products | Increase of $4.50 per ton | |
| | | | | Flat wire | Increase of $0.65—$13.85 per 100 pounds. | |
| | | Following United States Steel | Detroit Steel | Cold-rolled sheet | Increase of $6 per ton | |
| | | | | Hot-rolled sheet | Increase of $8 per ton | |
| 185 | Aug. 14, 1969 | Cyclops Corp | | Straight chrome stainless bar, hot-rolled rods, cold-finished wire and billets; along with certain stainless bar, rod, wire and billet extras. | Increase of 5 percent | The company blamed higher prices on rising cost of chrome and rising labor costs. |
| 186 | Aug. 18, 1969 | Following others | Sharon Steel | Low-carbon, cold-rolled strip | Increase of 4½ percent | |
| | | | | Cold rolled annealed spring steel. | | |
| 187 | do | Inland Steel | | All containers | Increase in prices | |
| 188 | Sept. 9, 1969 | United States Steel | | Continuous weld pipe | Increase of $8 per ton or 4.6 percent | |
| | | | | Relatively minor products of raw pipe. | Increase in price | Competitors are studying the move. |
| 189 | Sept. 14, 1969 | | Jones & Laughlin, Republic, Youngstown Sheet and Tube. | Buttweld pipe | Increase of $8 per ton | |
| | | Lone Star Steel | | Starweld pipe line | Increase of 5 percent | |
| | | Following others | Detroit Steel | Upholstery spring wire | Increase of 3.5 percent to 3.75 percent. | |

See footnote at end of table, p. 1879.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]—Continued

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 190 | Sept. 17, 1969 | Jones & Laughlin | | Type 300 and type 200 grades of stainless forms and shapes. | Increase from 4½ cents to 17 cents per pound. | Other producers are studying the move. The higher prices reflect increasing nickel costs |
| | | Eastern Stainless | | All stainless products | Increases from 11 percent to 15 percent. | |
| 191 | Sept. 19, 1969 | | Armco, United States Steel | All nickel-bearing stainless steels. | Increase of .8 cent per pound of nickel content. | |
| 192 | Sept. 22, 1969 | | Cyclops Corp | Certain electronic alloy steels | Temporary surcharge of 3.4 cents for each 1 percent nickel content. | |
| 193 | Sept. 28, 1969 | | United States Steel | Nickel-bearing stainless steels | Increase of 8 cents per pound for each 1 percent nickel content. | |
| | | | Armco | do | Increase of 8 cents for each pound of nickel content. | |
| 194 | Sept. 29, 1969 | | Washington Steel, and Sharon Steel. | Nickel bearing stainless | Increase of 8 cents per pound for each 1 percent nickel content. | |
| | | | | Certain extras on flat-rolled stainless. | Increase of 5 percent | |
| 195 | Oct. 14, 1969 | C.F. & I | | Selected group of products (mostly galvanized). | Increase ranging from 15 to 40 percent. | |
| 196 | Oct. 27, 1969 | Armstead Ind | | Railroad steel castings | Increases ranging from 3 to 10 percent. | |
| 197 | Nov. 3, 1969 | United States Steel | | Project-line pipe | Reduction averaging 10 percent | United States Steel claimed move was made to be more competitive in that product line. |
| | | | | Stainless thick-walled line pipe | Increase of 3½ percent | Other firms are studying the moves. |
| 198 | Nov. 4, 1969 | Bethlehem | | Cold-rolled sheet | New billing method using the customer-specified gage. | Claims this will save customers money. The move was made to compete better in the market. Other firms had no comment. |
| 199 | Nov. 24, 1969 | | Following United States Steel: Jones & Laughlin. | Project line pipe | Reduction averaging 10 percent | |
| | | United States Steel | | Railroad products | Increases averaging 3½ percent | Others had no comment. |
| 200 | Nov. 25, 1969 | do | | Various nickel-bearing products. | Increase in price | Increase stems from a 25-cent-per-pound price increase in nickel as of Nov. 25. |

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| 201 | Nov. 29, 1969 | Following Bethlehem | Republic, Armco, United States Steel. | Cold-rolled sheet | New billing method | |
| | | | | Cold-rolled sheet, hot-rolled sheet, galvanized sheets, long-terne sheets, and vitrenamel. | | |
| | | United States Steel | | | Will charge a theoretical minimum weight extra. The effect is to boost prices. | People will be billed for what the steel should weigh, according to specifications, rather than what it actually weighs. |
| | | | | Hot-rolled sheets of 9 gage and heavier. | Charge of $2 per ton | |
| | | | | Hot-rolled sheets gaged 10–14 | Charge of $4 per ton | |
| | | | | Hot-rolled sheets gaged 15–18 | Charge of $5 per ton | |
| | | | | Cold-rolled sheet | do | |
| | | | | Vitrenamel | do | |
| | | | | Galvanized sheet of 18 gage and heavier. | Charge of $2 per ton | |
| | | | | Galvanized sheet of 19–27 gage | Charge of $4 per ton | |
| | | | | Galvanized sheet of 28–30 gage | Charge of $6 per ton | |
| 202 | Dec. 1, 1969 | Following United States Steel | Bethelhem | Carbon steel sheets | Imposing extra charges ranging from $2 to $6 per ton. | |
| | | Allegheny-Ludlum | | All major stainless product forms including bars, billet, wire, sheet, strip, plates and tubes. | Increases averaging 4 percent | Due to rise in price of nickel. |
| | | | Jones & Laughlin | All nickel-bearing stainless products. | Increases ranging from 4 to 5½ percent. | |
| 203 | Dec. 2, 1969 | | Republic Steel | Stainless products | Increase of 4 percent | |
| 204 | do | Following others | Edgewater Corp., Armsted Ind. | Steel railroad car wheels | Increase of 3½ percent | |
| | | | | | Increase of 4 percent | |
| 205 | do | do | Inland, Jones & Laughlin, Wheeling-Pittsburgh, Youngstown. | Big volume sheet products | New billing system and extra charges ranging from $2–6 per ton. | |
| 206 | Dec. 3, 1969 | | National | do | do | |
| 207 | do | Following others | Armco, Eastern Stainless, Carpenter. | Stainless steels | Increase averaging 4–5 percent | |
| 208 | Dec. 5, 1969 | | Cyclops Corp | do | Increase averaging 4 percent | |
| | | | | High temperature alloy metals | Increases ranging up to 10 percent | |
| | | | Jones & Laughlin | Nonnickel bearing stainless | Increases ranging from ¾ cent to 2 cents per pound. | |
| 209 | Dec. 12, 1969 | | Latrobe Steel Co | High speed tool steels | Increase averaging 5 percent | |
| | | | Washington Steel Corp | Certain stainless strip and sheet products. | Increase of base prices 3 percent–3½ percent. | |
| 210 | Dec. 19, 1969 | | Cyclops Corp | High speed tool steels | Increases ranging from 3½ percent–5¼ percent. | |

See footnote at end of table, p. 1879.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]—Continued

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 211 | Jan. 5, 1970 | Bethlehem | United States Steel, Republic, Inland Steel. | Rebar steel | Increase of $6 per ton | At least 1 other producer hinted at soon following the move. |
| 212 | Jan. 9, 1970 | | Armco | Rebars | do | |
| 213 | Jan. 12, 1970 | Cyclops | | High-speed tool steels | Reduction between 1 percent and 2 percent. | Reduction was made for "competitive reasons." |
| 214 | Jan. 14, 1970 | Edgewater Corp | | Rolled-steel rings | Increase of 4 percent | Reflects increases in the costs of supplied steels. |
| 215 | Jan. 16, 1970 | Bethlehem | | Steel plates and structural shapes. | Increases of about 5 percent | Other firms expected to follow. In Washington, the Council of Economic Advisers had no comment. This will put further pressure on construction costs. |
| 216 | Jan. 19, 1970 | | Kaiser | Carbon steel plates and structural shapes. | Increases of 5 percent | |
| 217 | do | Armco | | Hot-rolled sheets | Increase of $4 per ton or 3 percent | This wipes out any savings customers were to receive after Jan. 1, from the new sheet pricing system. |
| | | | | Cold-rolled sheets and enameled sheets. | Increase of $5 per ton or 3.3 percent. | |
| | | | | Aluminum terne coated and galvanized sheets. | Increases of $6 per ton or 3.7 percent. | |
| 218 | Jan. 20, 1970 | | Inland | Hot- and cold-rolled sheets and galvanized sheets. | Same increases as Armco above | |
| 219 | Jan. 21, 1970 | Following Bethlehem | do | Carbon plates and structual shapes. | Increases of $7 per ton | |
| | | | United States Steel, Lukens Steel Co. | do | do | Washington says it is considering the increase of steel imports to help squelch domestic price increases. |
| | | United Steel Steel | Lukens Steel Co | Alloy plates | Increase of $10 per ton | |
| 220 | do | C.F. & I. Steel | | Wirerope and bridge rope | Increase of 5 percent | |
| | | | | M-B spring wire | Increase in base price of 50¢ per 100 lb. | |
| | | | | Fences, nails, fence posts, staples. | Increase in jobbers' prices of $10 per net ton. | |
| | | | | Wire-products-general purpose fabrics. | Increase of $25 per net ton | |
| | | | | Hardware cloth | Increase of $40 per net ton | |
| | | | | Poultry netting | Increase of $25 per net ton | |
| | | | | Chain link fabrics | Increases ranging from $15 to $40 per net ton. | |
| 221 | Jan. 22, 1970 | Following Bethlehem | Republic | Carbon steel plates | Increase of $7 per ton | |
| 222 | Jan. 23, 1970 | | Armco, Jones & Laughlin | Structural shapes and plates | do | |

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| 223 | do | Following Armco | Jones & Laughlin | Hot-rolled sheets | Increase of $4 per ton | United States Steel and others are still studying Armco's move on sheet. |
| | | | | Cold rolled sheets | Increase of $5 per ton | |
| | | | | Galvanized sheets | Increase of $6 per ton | |
| 224 | Jan. 26, 1970 | | Bethlehem, Republic, National | Hot and cold rolled, ang galvanized sheets. | Increase same as above | |
| 225 | Jan. 27, 1970 | | Wheeling-Pittsburgh, Youngstown Sheet and Tube. | do | do | |
| 226 | do | Following others | Whelling-Pittsburgh | Carbon steel plates and structural sheets. | Increase of $7 per ton | |
| | | | Granite City Steel | Carbon steel plates | do | |
| 227 | do | Wheeling-Pittsburgh | | Cold rolled strip | do | |
| 228 | Jan. 29, 1970 | Following others | United States Steel | Hot rolled sheets | Increase of $4 per ton | |
| | | | | Cold rolled sheets | Increase of $5 per ton | |
| | | | | Galvanized sheets | Increase of $6 per ton | |
| 229 | Feb. 5, 1970 | Bethlehem | | All products | New pricing policy. The company will not raise a quote for at least a year after any new increase. | Competitors were taken aback by the move. This further asserts that Bethlehem is the No. 1 price leader. |
| 230 | do | Following Wheeling-Pittsburgh | Detroit Steel | Cold rolled carbon strip | Increase of $5 per ton | Wheeling is studying the move which lies $2 below their own increase. |
| 231 | do | Detroit Steel | | Cold rolled spring steel | do | |
| 232 | Feb. 9, 1970 | Following Bethlehem | National, Armco | All products | New price guarantee | |
| 233 | Feb. 11, 1970 | | Republic | All products except stainless and vacuum-arc-remelted, because of the volatile behavior of raw materials prices for those products. | do | |
| 234 | do | | Inland | All products | do | |
| 235 | do | | Jones & Laughlin, United States Steel. | Mainly big volume products | do | United States Steel claimed it will maintain for 1 year "its published prices made effective at any time during the balance of 1970." |
| 236 | Feb. 13, 1970 | | Granite City Steel | All products | do | |
| 237 | do | Following others | United States Steel | Cold rolled strip | Increase of $5 per ton | |
| 238 | Mar. 24, 1970 | do | do | Electrical sheets | Increase between $10 and $15 per ton. | United States Steel also announced that it would again raise prices on electrical sheets this coming Oct. 1. It called current prices on the products "unsatisfactory" and said the Apr. 1 increases would not be sufficient to offset rising costs. This 2-step price increase confused other producers since it violates the new price guarantees that say no more than 1 price increase per year will occur on one product. |

See footnote at end of table, p. 1879.

TABLE 3.—MAJOR STEEL PRICE CHANGES, DEC. 28, 1967, TO APR. 30, 1970 [1]—Continued

| Item No. | Date announced | Initiator | Followers | Products | Change in price | Washington reaction and industry response |
|---|---|---|---|---|---|---|
| 239 | Mar. 30, 1970 | Republic Steel | | Carbon and alloy semifinished bar products. | Increase of 35 cents per 100 pounds. | Republic said the increases resulted from "sharp continuing increases" in costs of labor, materials, services, freight, State, and local taxes, and other items. Other producers had no comment and are studying the move. |
| | | | | Carbon and alloy lot-rolled bar products. | Increase of 45 cents per 100 pounds. | |
| | | | | Carbon and alloy cold-finished products. | Increase of 55 cents per 100 pounds. | |
| 240 | do | C.F. & I. Steel | | Oil-country goods | Increases of $16 to $20 per ton | Increases "partially reflect" rising costs in labor, materials, and freight. |
| 241 | Mar. 31, 1970 | | Wheeling-Pittsburgh | Oil-country casing, drill pipe, and oil well tubing. | Increases from $12-$16 per ton | |
| | | | | Seamless carbon mechanical tubing. | Increase of 5 percent | |
| | | | | Seamless casing | Increase of $12 per ton | |
| | | | | Seamless tubing | Increase of $14 per ton | |
| | | | | Seamless drill pipe | Increase of $16 per ton | |
| 242 | Apr. 1, 1970 | | Jones & Laughlin | Oil industry tubular goods | Increases from $12 to $16 per ton | It was not made clear until these subsequent increases, that the Republic price move also raised semifinished steels. |
| | | Following Republic | Jones & Laughlin, Bethlehem, United States Steel. | Bars and semifinished steels | Increases averaging 4.5 percent ranging from $7 to $11 per ton. | |
| 243 | Apr. 1, 1970 | United Sstates Steel | | Rods and certain manufacturers' wire products. | Increases averaging $7.50 per ton or 4.7 percent. | |
| | | | | New product—converter coarse roads. | Initial price of $140 per ton | |
| 244 | Apr. 2, 1970 | Following others | Armco, Inland, Youngstown Sheet & Tube. | Bar products and semifinished steels. | Increases averaging 4.5 percent, ranging from $7 to $11 per ton. | |
| 245 | do | do | Youngstown Sheet & Tube, Lone Star. | Oil country goods | Increases from $12 to $16 per ton | C.F. & I. is "evaluating the competitive situation" in light of the smaller raises by other makers. C.F. & I. boosts ranged from $16 to $20 per ton. |

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|---|---|---|---|---|---|---|
| 246 | do | United States Steel | | Standard pipe and miscellaneous line pipe. | Increases up to 4.9 percent | |
| 247 | Apr. 3, 1970 | | Youngstown Sheet & Tube | Various continous weld, seamless and electroweld standard and line pipe. | Increases of $4 to $14 per ton | |
| 248 | do | Following | National Steel | Hot-rolled bars | Increase of $9 per ton | No comment on semifinished and cold-finished bars. |
| 249 | do | Following others | Kaiser Steel | Carbon and alloy semifinished products. | Increase of $7 per ton | |
| | | | | Carbon high-strength low alloy and alloy bars. | Increase of 45 cents per 100 weight | |
| 250 | do | do | Granite City Steel | Electrical steel sheet—motor lamination grade. | Increase of 50 cents per 100 pounds | |
| 251 | Apr. 10, 1970 | do | Bethlehem | Wire rods and drawn wire products. | Increase of 4.5 percent | |
| | | | | | Increase on certain extras | |
| 252 | Apr. 30, 1970 | Bethelem | | Hot rolled sheets | Increase of $7 per ton | Bethlehem's move caught industry by surprise. It further emphasized the company's price leadership. Most firms reacted cautiously and are studying the move. The move is expected to spread. |
| | | | | Cold rolled sheets | Increase of $8 per ton | |
| | | | | Hot-dipped galvanized sheets | Increase of $6 per ton | |

[1] Major price changes, Apr. 10, 1962–Dec. 27, 1967 appear in Foreign Trade and Tariff Proposals, Hearings before House Ways and Means Committee, pt. 4, 90th Cong., 2d sess. (1968), pp. 1460–1466.

Source: Wall Street Journal, 1968–70.

TABLE 4.—STEEL MILL PRODUCTS IMPORTS AS A PERCENTAGE OF DOMESTIC CONSUMPTION: THE UNITED STATES AND ECSC MEMBER COUNTRIES, 1959-69

| Year | United States | Belgium-Luxembourg | France | Germany | Italy | The Netherlands | ECSC total |
|---|---|---|---|---|---|---|---|
| 1959 | 6.1 | 15.8 | 12.1 | 12.9 | 13.5 | 61.1 | 15.3 |
| 1960 | 4.7 | 18.7 | 20.3 | 12.7 | 18.6 | 62.1 | 18.2 |
| 1961 | 4.7 | 17.1 | 19.8 | 11.2 | 20.3 | 60.5 | 17.6 |
| 1962 | 5.6 | 20.9 | 20.1 | 13.7 | 22.3 | 56.9 | 19.3 |
| 1963 | 6.9 | 24.3 | 21.6 | 14.4 | 26.8 | 64.8 | 21.6 |
| 1964 | 7.3 | 28.7 | 22.6 | 15.1 | 22.1 | 63.1 | 21.2 |
| 1965 | 10.3 | 28.5 | 21.2 | 15.5 | 15.3 | 58.0 | 19.5 |
| 1966 | 10.9 | 34.2 | 23.0 | 16.9 | 17.1 | 59.4 | 21.4 |
| 1967 | 12.2 | 38.3 | 9.2 | 16.6 | 17.0 | 67.6 | 22.5 |
| 1968 | 16.7 | 34.4 | 24.5 | 20.7 | 13.9 | 61.8 | 22.7 |
| 1969 | 13.6 | [1] 34.1 | [1] 27.6 | [1] 18.9 | [1] 14.3 | [1] 110.0 | [1] 22.8 |

[1] 1st half year.

Source: Statistisches Amt Der Europaischen Gemeinschaften, Eisen und Stahl, Jahrbuch Annuaire, 1966, pp. 84-95, Eisen und Stahl, 1968, No. 1, p. 8 and pp. 86-89; Eisen und Stahl, 1963, No. 1, p. 8; Sidérurgie 1969, Nos. 1 and 6, table 4, p. 8, and table 77, pp. 112-123; AISI Foreign Trade Trends, 1967, p. 86; AISI Foreign Trade Trends, 1969, p. 47.

TABLE 5—INDEXES OF OUTPUT AND OUTPUT PER MAN-HOUR IN THE IRON AND STEEL INDUSTRY FOR 5 COUNTRIES, 1957–68

[1957=100]

| Country | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | [1] 1968 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Index of output: | | | | | | | | | | | | |
| United States | 100 | 74.4 | 86.5 | 86.7 | 82.9 | 87.3 | 92.6 | 105.1 | 114.4 | 115.1 | 107.1 | 113.4 |
| France | 100 | 103.2 | 107.5 | 123.7 | 126.9 | 122.6 | 124.7 | 138.7 | 138.7 | 138.7 | 138.7 | (2) |
| Japan | 100 | 94.1 | 125.5 | 164.5 | 207.4 | 206.4 | 228.9 | 290.2 | 292.2 | 337.9 | 437.2 | (2) |
| United Kingdom | 100 | 88.1 | 89.0 | 105.9 | 98.8 | 90.7 | 96.7 | 111.5 | 118.4 | 109.1 | 103.6 | 111.7 |
| West Germany | 100 | 92.4 | 101.4 | 118.5 | 117.0 | 113.8 | 108.4 | 128.7 | 128.3 | 123.7 | 128.0 | 146.6 |
| Index of output per man-hour: | | | | | | | | | | | | |
| United States | 100 | 92.5 | 103.9 | 97.5 | 100.6 | 105.7 | 110.6 | 115.3 | 120.0 | 122.4 | 118.6 | 124.4 |
| France | 100 | 108.2 | 114.4 | 127.8 | 128.5 | 124.7 | 124.2 | 138.3 | 144.7 | 151.5 | 159.1 | (2) |
| Japan | 100 | 92.3 | 115.2 | 131.5 | 150.7 | 148.1 | 163.8 | 203.4 | 209.1 | 245.3 | 304.7 | (2) |
| United Kingdom | 100 | 98.4 | 95.3 | 106.7 | 106.5 | 103.5 | 106.8 | 117.7 | 120.5 | 125.5 | 125.6 | 133.9 |
| West Germany | 100 | 94.7 | 105.3 | 116.1 | 112.3 | 114.9 | 113.4 | 130.8 | 130.3 | 133.7 | 147.2 | 167.2 |

[1] Preliminary.
[2] Not available.

Source: Bureau of Labor Statistics, based on national country sources.

TABLE 6.—PERCENT CHANGE IN UNIT LABOR COST, OUTPUT, AND LABOR COST IN THE IRON AND STEEL INDUSTRY FOR FIVE COUNTRIES, 1957–67 (ANNUAL AVERAGES)

| Country | 1957–67 |
|---|---|
| Unit labor cost (U.S. dollar basis): | |
| United States | 0.4 |
| France | 2.0 |
| Japan | −3.1 |
| United Kingdom | 2.4 |
| West Germany | 4.2 |
| Output: | |
| United States | 3.1 |
| France | 3.9 |
| Japan | 15.9 |
| United Kingdom | 1.8 |
| West Germany | 2.9 |
| Output per man-hour: | |
| United States | 2.6 |
| France | 4.1 |
| Japan | 11.8 |
| United Kingdom | 2.8 |
| West Germany | 3.9 |
| Hourly labor cost (U.S. dollar basis): | |
| United States | 3.0 |
| France | 6.2 |
| Japan | 9.3 |
| United Kingdom | 5.6 |
| West Germany | 8.3 |

Note: Rates of change are computed from least squares trend of the logarithms of the index numbers.

Source: Jackman, "Unit Labor Costs of Iron and Steel Industries in Five Countries," Monthly Labor Review, August 1969, p. 18.

TABLE 7.—UNEMPLOYMENT, TOTAL SEPARATIONS AND LAYOFFS FOR SELECTED INDUSTRY GROUPS, 1959–69

| Date | Unemployment rate, primary metals (percent) | Total separations per 100 employees | | Layoffs per 100 employees | | |
|---|---|---|---|---|---|---|
| | | Primary metals | Blast furnaces and steel mills | All manufacturing | Primary metals | Blast furnaces and steel mills |
| 1959 | 5.3 | 2.5 | 1.4 | 2.0 | 1.1 | 0.4 |
| 1960 | 7.8 | 4.0 | 4.3 | 2.4 | 2.9 | 3.5 |
| 1961 | 10.9 | 2.8 | 2.4 | 2.2 | 1.7 | 1.5 |
| 1962 | 7.0 | 3.3 | 3.7 | 2.0 | 2.1 | 2.8 |
| 1963 | 4.3 | 2.8 | 2.8 | 1.8 | 1.5 | 1.7 |
| 1964 | 2.8 | 2.3 | 1.8 | 1.7 | .8 | .5 |
| 1965 | 2.3 | 3.0 | 3.0 | 1.4 | 1.0 | 1.3 |
| 1966 | 2.0 | 3.2 | 2.4 | 1.2 | .6 | .5 |
| 1967 | 2.6 | 3.4 | 2.5 | 1.4 | 1.0 | .9 |
| 1968 | 2.7 | 3.7 | 3.5 | 1.2 | 1.1 | 1.4 |
| 1969 | 2.2 | 3.8 | 2.8 | 1.2 | .6 | .4 |
| 1968: | | | | | | |
| January | 2.0 | 3.1 | 2.3 | 1.9 | .7 | .5 |
| February | 2.6 | 2.8 | 2.0 | 1.2 | .7 | .3 |
| March | 2.7 | 2.9 | 2.1 | 1.1 | .5 | .4 |
| April | 1.2 | 3.0 | 2.1 | 1.0 | .4 | .2 |
| May | 1.7 | 3.1 | 2.3 | .9 | .3 | .2 |
| June | 1.5 | 3.0 | 2.1 | .9 | .6 | .2 |
| July | 2.0 | 3.4 | 3.4 | 1.6 | .7 | .8 |
| August | 3.1 | 6.8 | 8.4 | 1.2 | 2.6 | 4.5 |
| September | 3.8 | 5.7 | 6.5 | 1.1 | 1.8 | 3.4 |
| October | 4.2 | 4.4 | 4.5 | 1.2 | 1.7 | 2.8 |
| November | 4.6 | 2.9 | 2.3 | 1.2 | .7 | 1.2 |
| December | 3.1 | 2.5 | 1.9 | 1.4 | .7 | .7 |
| 1969: | | | | | | |
| January | 2.4 | 3.2 | 2.2 | 1.2 | .5 | .5 |
| February | 2.5 | 3.0 | 2.1 | 1.0 | .4 | .2 |
| March | 2.6 | 3.3 | 2.2 | 1.0 | .5 | .1 |
| April | 2.0 | 3.3 | 2.1 | .9 | .3 | .1 |
| May | 2.1 | 3.6 | 2.2 | .9 | .4 | .1 |
| June | 2.0 | 3.5 | 2.2 | .9 | .5 | .2 |
| July | 1.7 | 3.8 | 2.7 | 1.6 | .8 | .3 |
| August | 2.4 | 5.2 | 4.0 | 1.1 | .8 | .4 |
| September | 2.1 | 5.8 | 5.4 | 1.1 | .6 | .5 |
| October | 2.3 | 4.1 | 3.2 | 1.3 | .8 | .6 |
| November | 2.2 | 3.0 | 2.1 | 1.3 | .6 | .5 |
| December | 1.6 | 3.2 | 2.5 | 1.8 | 1.1 | .9 |

Source: 1959–67 data from the Bureau of Labor Statistics, "Employment and Earnings Handbook." 1968–69 data from BLS Employment and Earnings Monthly Reports, table A–11 and D–2.

TABLE 8.—U.S. DOMESTIC EMPLOYMENT, PRODUCTION, SHIPMENTS; STEEL INDUSTRY, 1959–69.

| Year | Employment | | Raw steel production | Net shipments [2] | Shipments as percent of raw steel production | Average tons produced per all employees [3] | Average tons produced per wage employees [3] |
|---|---|---|---|---|---|---|---|
| | All [1] | Wage [1] | | | | | |
| 1959 | 515,057 | 399,738 | 93,446,000 | 69,377,000 | 0.7424 | 181.43 | 233.77 |
| 1960 | 571,552 | 449,888 | 99,282,000 | 71,149,000 | .7166 | 173.71 | 220.68 |
| 1961 | 523,305 | 405,924 | 98,014,000 | 66,126,000 | .6746 | 187.30 | 241.46 |
| 1962 | 520,538 | 402,662 | 98,328,000 | 70,552,000 | .7175 | 188.90 | 244.19 |
| 1963 | 520,289 | 405,536 | 109,261,000 | 75,555,000 | .6915 | 210.00 | 269.42 |
| 1964 | 553,555 | 434,654 | 127,076,000 | 84,945,000 | .6684 | 229.56 | 292.36 |
| 1965 | 583,851 | 458,539 | 131,462,000 | 92,666,000 | .7048 | 225.16 | 286.70 |
| 1966 | 575,547 | 446,712 | 134,101,000 | 89,995,000 | .6710 | 233.00 | 300.20 |
| 1967 | 555,143 | 424,153 | 127,213,000 | 83,897,000 | .6595 | 229.15 | 299.92 |
| 1968 | 551,557 | 420,684 | 131,462,000 | 91,856,000 | .6987 | 238.35 | 312.50 |
| 1969 | 544,019 | 415,301 | 141,069,000 | 93,877,000 | .6654 | 259.31 | 339.68 |
| Average 1959–69 | 546,764 | 423,981 | | | .6919 | | |
| Percent annual change 1959–69 | | | 4.2 | 3.1 | | 3.7 | 3.8 |

[1] Average monthly, adjusted for turnover.
[2] Total shipments minus shipments to reporting companies.
[3] Raw steel production.

Source: A.I.S.I. annual reports.

TABLE 9.—EMPLOYMENT STATISTICS FOR THE U.S. STEEL INDUSTRY, 1959–69

| Year | Average employment | Total hours worked (millions) | Total wages and salaries paid (in millions) | Average hours per week, wage earners | Payroll cost per hour,[1] wage earners | Supplementary unemployment benefits paid (in millions) | Supplementary unemployment benefits as a percent of total employment costs |
|---|---|---|---|---|---|---|---|
| 1959 | 515,057 | 1,003.3 | $3,672.2 | 36.9 | $3.417 | $28.7 | 0.56 |
| 1960 | 571,552 | 1,086.9 | 3,889.8 | 35.7 | 3.349 | 26.1 | .47 |
| 1961 | 523,305 | 1,012.9 | 3,797.1 | 36.6 | 3.501 | 35.5 | .67 |
| 1962 | 520,538 | 1,008.0 | 3,904.1 | 36.6 | 3.622 | 64.7 | 1.18 |
| 1963 | 520,289 | 1,023.4 | 4,017.9 | 37.4 | 3.687 | 64.2 | 1.14 |
| 1964 | 553,555 | 1,114.1 | 4,472.3 | 38.3 | 3.796 | 42.8 | .70 |
| 1965 | 583,851 | 1,158.2 | 4,797.1 | 37.7 | 3.935 | 53.3 | .82 |
| 1966 | 575,547 | 1,152.5 | 4,894.1 | 38.2 | 4.017 | 55.6 | .82 |
| 1967 | 555,143 | 1,083.7 | 4,685.5 | 37.0 | 4.069 | 40.7 | .63 |
| 1968 | 551,557 | 1,095.1 | 5,013.6 | 37.7 | 4.303 | 32.1 | .46 |
| 1969 | 544,019 | 1,099.0 | 5,331.0 | 38.6 | 4.566 | | |

[1] Does not include employment costs for pension, insurance, social security and supplemental unemployment benefits, which in 1969 averaged 80.9 cents per hour.

Source: AISI Annual Statistical Reports 1968 and 1969, tables 2 and 6.

Table 10. STEEL OUTPUT AND EMPLOYMENT, U.S. VS. E.E.C.

| Year | U.S. Raw Steel Production '000,000 | U.S. Employees Wage & Salary '000 | E.E.C. Raw Steel Production '000,000 | E.E.C. Employees Wage & Salary '000 |
|---|---|---|---|---|
| 1955 | 117.0 | 624.8 | N.A. | N.A. |
| 1956 | 115.2 | 620.7 | " | " |
| 1957 | 112.7 | 623.8 | " | " |
| 1958 | 85.3 (+22.4%) | 523.5 (-12.4%) | " | " |
| 1959 | 93.4 | 515.1 | " | " |
| 1960 | 99.3 | 571.6 | " | " |
| 1961 | 98.0 | 523.3 | 73.2 | 629.2 |
| 1962 | 98.3 | 520.5 | 75.7 | 615.0 |
| 1963 | 109.3 | 520.3 | 73.2 | 573.1 |
| 1964 | 127.1 (+34.2%) | 553.6 (+5.4%) | 82.8 (+34.7%) | 582.7 (-15.6%) |
| 1965 | 131.5 | 583.9 | 86.0 | 584.1 |
| 1966 | 134.1 | 575.5 | 85.1 | 563.9 |
| 1967 | 127.2 | 555.1 | 89.9 | 539.7 |
| 1968 | 131.5 | 551.6 | 98.6 | 530.7 |
| 1969 | 141.1 | 544.0 | N.A. | N.A. |

Source: AISI, Annual Statistical Reports; OECD, The Iron and Steel Industry, 1964-1968.

TABLE 11.—WORLD CRUDE STEEL CONSUMPTION [1] (000,000 METRIC TONS), 1953-67

| Period | North America: Total | North America: United States | South America, total | Europe | Rest of World: Total | Rest of World: Japan | World total |
|---|---|---|---|---|---|---|---|
| 5-year averages: | | | | | | | |
| 1953 to 1957 | 102.3 | 95.6 | 4.8 | 73.0 | 69.4 | 8.6 | 249.4 |
| 1958 to 1962 | 94.5 | 86.8 | 6.2 | 108.0 | 112.7 | 18.7 | 321.4 |
| 1963 to 1967 | 133.1 | 121.1 | 8.1 | 142.9 | 160.9 | 34.5 | 445.0 |
| 3-year averages: | | | | | | | |
| 1959 to 1961 | 96.8 | 89.1 | 6.3 | 109.6 | 116.6 | 20.1 | 329.2 |
| 1962 to 1964 | 113.6 | 103.8 | 7.1 | 131.5 | 137.9 | 26.4 | 390.1 |
| 1965 to 1967 | 141.4 | 128.4 | 8.6 | 147.7 | 173.1 | 38.8 | 470.8 |
| 2-year averages: | | | | | | | |
| 1962 to 1963 | 105.7 | 96.7 | 6.7 | 125.4 | 132.5 | 23.8 | 370.2 |
| 1964 to 1965 | 135.2 | 122.9 | 8.2 | 144.4 | 152.2 | 30.1 | 439.9 |
| 1966 to 1967 | 141.6 | 128.8 | 8.7 | 148.9 | 181.9 | 43.8 | 481.1 |

[1] Includes only countries covered by U.N. Statistical Yearbook.

Source: United Nations, annual statistical surveys.

TABLE 12.—AVERAGE ANNUAL GROWTH RATES OF CRUDE STEEL CONSUMPTION

[In percent]

| Period | North America: Total | North America: United States | South America total | Europe total | Rest of world: Total | Rest of world: Japan | World total |
|---|---|---|---|---|---|---|---|
| 1953-57—1963-67 | 2.7 | 2.4 | 5.5 | 6.9 | 8.8 | 14.9 | 6.0 |
| 1958-62—1963-67 | 7.1 | 6.9 | 5.7 | 5.8 | 7.4 | 13.0 | 6.7 |
| 1959-61—1965-67 | 6.5 | 6.3 | 5.4 | 5.1 | 6.8 | 11.6 | 6.1 |
| 1962-64—1965-67 | 7.6 | 7.3 | 6.5 | 3.9 | 7.9 | 13.8 | 6.5 |
| 1962-63—1966-67 | 7.6 | 7.4 | 6.9 | 4.4 | 8.2 | 16.5 | 6.8 |
| 1964-65—1966-67 | 2.3 | 2.4 | 3.0 | 1.6 | 9.3 | 21.0 | 4.6 |

Source: Derived from table 10.

TABLE 13.—EXPORTS BY COUNTRY OF DESTINATION FROM THE EUROPEAN COMMUNITY, 1967–68

[In thousands of metric tons]

| Destination | 1967 | 1968 | 1969 | 1969–68 (percent) |
|---|---|---|---|---|
| United Kingdom | 505 | 608 | 810 | +33.2 |
| Switzerland | 1,005 | 1,092 | 1,300 | +19.0 |
| Spain | 953 | 592 | 660 | +11.5 |
| East Europe | 926 | 898 | 940 | +4.7 |
| United States of America | 3,814 | 5,620 | 3,960 | −29.5 |
| Other | 7,119 | 6,895 | 6,450 | −6.5 |
| Total | 14,322 | 15,345 | 14,120 | −8.0 |

Source: Europe, April 9, 1970.

TABLE 14.—NET PROFITS AFTER TAXES AS PERCENT OF NET WORTH, 1946–69, STEEL INDUSTRY AND AVERAGE LEADING MANUFACTURING INDUSTRIES

| Year | Steel industry | | Leading average manufacturing industries, percent |
|---|---|---|---|
| | Percent | Rank among leading manufacturing industries [1] | |
| 1946 | 7.5 | 41 | 12.1 |
| 1947 | 11.3 | 42 | 17.0 |
| 1948 | 14.0 | 38 | 18.9 |
| 1949 | 11.5 | 24 | 13.8 |
| 1950 | 15.3 | 28 | 17.1 |
| 1951 | 12.3 | 25 | 14.4 |
| 1952 | 8.8 | 35 | 12.3 |
| 1953 | 11.6 | 21 | 12.5 |
| 1954 | 9.4 | 32 | 12.4 |
| 1955 | 15.2 | 14 | 15.0 |
| 1956 | 13.9 | 17 | 13.9 |
| 1957 | 13.2 | 17 | 12.8 |
| 1958 | 8.2 | 27 | 9.8 |
| 1959 | 8.4 | 35 | 11.6 |
| 1960 | 7.8 | 29 | 10.6 |
| 1961 | 6.4 | 32 | 9.9 |
| 1962 | 5.4 | 41 | 10.9 |
| 1963 | 7.3 | 37 | 11.6 |
| 1964 | 9.2 | 35 | 12.7 |
| 1965 | 9.6 | 37 | 13.9 |
| 1966 | 9.4 | 39 | 14.2 |
| 1967 | 7.4 | 37 | 12.5 |
| 1968 | 7.5 | 38 | 13.3 |
| 1969 | 7.6 | 39 | 12.5 |

[1] From 1946–55, 44 to 46 industries; 1956–69, 41 industries.

Source: "Steel Imports," staff study of the Senate Committee on Finance, 90th Cong., 1st sess. (1967), p. 139; the First National City Bank of New York: April Monthly Letter, 1968, 1970.

TABLE 15.—EMPLOYMENT IN THE IRON AND STEEL INDUSTRY AS PERCENTAGE OF TOTAL EMPLOYEES IN MANUFACTURING

| Year | Total wage and salary workers (percent) | Total manufacturing | Year | Total wage and salary workers (percent) | Total manufacturing |
|---|---|---|---|---|---|
| 1950 | 1.31 | 3.89 | 1964 | 0.95 | 3.20 |
| 1955 | 1.23 | 3.70 | 1965 | .96 | 3.23 |
| 1959 | .96 | 3.09 | 1966 | .90 | 3.00 |
| 1960 | 1.05 | 3.40 | 1967 | .84 | 2.85 |
| 1961 | .97 | 3.21 | 1968 | .81 | 2.79 |
| 1962 | .94 | 3.09 | 1969 | .77 | 2.70 |
| 1963 | .92 | 3.06 | | | |

Source: AISI annual reports, economic report of President, 1969.

TABLE 16.—IMPORTS AND APPARENT CONSUMPTION OF STEEL, ECSC AND MEMBER COUNTRIES, 1967–69

| | Imports from other ECSC countries | Imports from nonmember countries | Total imports | Apparent consumption | Imports as a percent of apparent consumption |
|---|---|---|---|---|---|
| | | | | Metric tons and percentages | |
| | (a) | (b) | (c) | (d) | (e) |
| ECSC: | | | | | |
| 1967 | 13,780 | 2,626 | 16,406 | 72,907 | 22.5 |
| 1968 | 15,632 | 2,947 | 18,579 | 81,961 | 22.7 |
| 1969 [1] | 8,849 | 2,087 | 10,936 | 48,025 | 22.8 |
| Germany: | | | | | |
| 1967 | 4,044 | 1,037 | 5,081 | 30,583 | 16.6 |
| 1968 | 6,023 | 1,534 | 7,557 | 36,501 | 20.7 |
| 1969 [1] | 3,003 | 887 | 3,881 | 20,543 | 18.9 |
| France: | | | | | |
| 1967 | 4,483 | 167 | 1,650 | 17,962 | 9.2 |
| 1968 | 4,384 | 227 | 4,611 | 18,827 | 24.5 |
| 1969 [1] | 2,932 | 348 | 3,280 | 11,898 | 27.6 |
| Italy: | | | | | |
| 1967 | 2,254 | 728 | 2,883 | 16,992 | 17.0 |
| 1968 | 1,857 | 711 | 2,569 | 18,473 | 13.9 |
| 1969 [1] | 1,070 | 545 | 1,615 | 10,856 | 14.9 |
| The Netherlands: | | | | | |
| 1967 | 1,826 | 411 | 2,236 | 3,308 | 67.6 |
| 1968 | 2,135 | 197 | 2,332 | 3,771 | 61.8 |
| 1969 [1] | 1,182 | 107 | 1,290 | 1,173 | 110.0 |
| Belgium-Luxembourg: | | | | | |
| 1967 | 1,273 | 283 | 1,556 | 4,062 | 38.3 |
| 1968 | 1,233 | 277 | 1,510 | 4,389 | 34.4 |
| 1969 [1] | 661 | 210 | 871 | 2,555 | 34.1 |

[1] 1st semester of the year.

Source: (a) to (c) Statistical Office of the European Communities, Sidérurgie 1969, No. 1 and 6, table 77, pp. 112–23; (d) ibid., table 4, p. 8; (e) calculated.

TABLE 17.—WAGE INCREASES IN STEEL-PRODUCING COUNTRIES

[1963 equals 100]

| Country | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 II | 1969 III |
|---|---|---|---|---|---|---|---|---|
| Japan [1] | 100 | 110 | 120 | 133 | 147 | 165 | 189 | (2) |
| United States [3] | 100 | 103 | 106 | 111 | 115 | 122 | 128 | 130 |
| France | 100 | 107 | 114 | 120 | 128 | 142 | 159 | (2) |
| Germany | 100 | 108 | 119 | 127 | 130 | 137 | 146 | (2) |
| United Kingdom [4] | 100 | 105 | 109 | 114 | 119 | 126 | 132 | 133 |
| Austria [1] | 100 | 109 | 119 | 133 | 143 | 152 | 157 | (2) |
| Italy [3] | 100 | 115 | 124 | 128 | 134 | 138 | 147 | (2) |
| Belgium [3] | 100 | 111 | 121 | 134 | 143 | 150 | 161 | (2) |

[1] Monthly earnings.
[2] Not available.
[3] Hourly rates.
[4] Weekly rates.

Source: IMF, annual financial statistics.

TABLE 18.—STEEL EXPORT PRICES PER TON, F.O.B. ANTWERP, 1966–70

| Product | June 1966 | June 1967 | June 1968 | January 1969 | June 1969 | February 1970 | March 1970 |
|---|---|---|---|---|---|---|---|
| Rebars | 74–76 | 76–79 | 73–74 | 85 | 102–104 | 131–133 | 131–133 |
| Merchant bar | 83–86 | 78–82 | 78–80 | 87–95 | 108–112 | 132–135 | 132–133 |
| Sections | 76–80 | 81–83 | 78 | 87–88 | 113–114 | 155–160 | 158–163 |
| Drawn wire | 76–77 | 80–84 | 80–82 | 96 | 110–114 | 155–161 | 154–161 |
| Strip | 84–88 | 82.5–85 | 80–82 | 91–95 | 106–108 | 130–135 | 103–135 |
| Heavy plates | 85–90 | 88–93 | 83–86 | 115 | 140–145 | 158–160 | 158–160 |
| Hot-rolled sheets | 105–106 | 105 | 108–110 | 115–120 | 145 | 156–158 | 167 |
| Cold-rolled sheets | 110 | 107–109 | 114–115 | 132–135 | 150 | 165–160 | 165–166 |

Source: Europe, Various issues.

TABLE 19.—STEEL SHIPMENTS AND DOMESTIC CONSUMPTION, UNITED STATES, 1959–69

| Year | Net shipments [1] | Imports | Exports | Apparent consumption [2] |
|---|---|---|---|---|
| 1959 | 69,377 | 4,396 | 1,677 | 72,096 |
| 1960 | 71,149 | 3,359 | 2,977 | 71,531 |
| 1961 | 66,126 | 3,163 | 1,990 | 67,299 |
| 1962 | 70,552 | 4,100 | 2,013 | 72,639 |
| 1963 | 75,555 | 5,446 | 2,224 | 78,777 |
| 1964 | 84,945 | 6,440 | 3,442 | 87,943 |
| 1965 | 92,666 | 10,383 | 2,496 | 100,553 |
| 1966 | 89,995 | 10,753 | 1,724 | 99,024 |
| 1967 | 83,897 | 11,455 | 1,685 | 93,667 |
| 1968 | 91,856 | 17,960 | 2,170 | 107,646 |
| 1969 | 93,877 | 14,034 | 5,229 | 102,682 |

[1] Total shipments less shipments to reporting members equals net shipments.
[2] Net industry shipments plus imports minus exports equals apparent consumption.

Source: AISI, annual statistical reports.

## APPENDIX A— A NOTE ON THE U.S. STEEL EXPORT PERFORMANCE

The purpose of this note is twofold: (1) To describe the major characteristics of the U.S. steel industry's export performance between 1967 and 1969, and (2) to determine whether demand for steel (especially steel demand from abroad) is inelastic—that is, if a price reduction would not increase exports significantly once they have dropped, and *vice versa*.

### I. THE 1967–69 STEEL EXPORT PERFORMANCE

Between the years 1967 and 1968 U.S. exports of steel mill products increased by some 29 percent (see Table II), though without noticeable change in the export *structure*. As was the case in 1967, semi-finished products accounted in 1968 for the most important exported tonnage (25.5 per cent of total export of steel mill products), pipe and tubing products followed with 13.9 per cent, then came tin plate (12.8 per cent), and sheets and strip (8.4 per cent).

As fas as *destinations* of U.S. steel exports are concerned, the recorded figures (see Table II and III) show that the destination pattern remained unchanged in 1967 and 1968. The larger portion of total steel mill products exports was shipped to Asia (40.3 per cent in 1967, and 37.8 per cent in 1968). Two other areas, Canada and Latin America, accounted each for about one fifth of total export of steel mill products in 1967. In 1968 a still larger portion of total exports reached the Latin American countries while Canada saw its share somewhat reduced. A country-by-country survey of U.S. exports of steel mill products shows that in 1968 increasing shipments were destined for Argentina (plus 212 per cent), South Vietnam (plus 100 per cent). Some European countries, too, bought more tonnages of American steel. U.S. steel exports to the United Kingdom in 1968 were some 172 per cent above the 1967 level; American steel shipped to France jumped from 4½ thousand tons in 1967 to 27 thousand tons in 1968, a 499 per cent increase; finally, exports to the Netherlands also, have expanded by some 446 per cent that year.

Contrary to what has just been observed concerning the 1967 and 1968 U.S. steel exports, *in 1969* both the *structure* and the *destination* have been totally different.

While semi-finished steels nonetheless remained the largest exported item in tonnage (34.9 per cent of total exports of steel mill products), the second and third most important products shipped abroad have been hot- and cold-rolled sheets (18.8 per cent and 8.3 per cent of total exports respectively). Interesting enough, exports of wire rods—one of the most controversial products on the imports line some years ago—increased by some 675 per cent between 1968 and 1969.

As far as the destination pattern is concerned, the major change characterizing the U.S. steel exports in 1969 has been the *shift* of the main flow of exports from developing *to* highly *industrialized* areas. In 1969 Europe received about 42.5 per cent of all steel exported by American steel companies while steel exports to

Asia, Oceania and Africa dropped significantly in absolute tonnage (Table II) as well as percentagewise (Table III). Compared with the 1957 figures,[1] the 1969 total export tonnage to European countries has been two and one half times higher. Still more important has been the amount of American steel imported by ECSC countries. As is shown in Table IV, from index 100 in 1957 it jumped to index 404 in 1969.

That such a volume of U.S. steel landed on the European market in 1969, may be explained as follows. European steel users and processors turned to American steel companies to buy the products they could not get from their traditional sources due to the sudden shortage of steel supply of that year.[2] Besides, the promptness of delivery (30 to 45 days), combined with the prices actually charged for the products by the U.S. steelmen have been favorable to the American steel trade. Indeed, Europeans did not feel any more that U.S. export prices were prohibitive when compared to world market prices.

## II. THE IMPACT OF U.S. EXPORT PRICE POLICY ON U.S. EXPORTS OF STEEL MILL PRODUCTS

It has already been demonstrated that the price policy traditionally adopted by the domestic steel producers largely contributed to what has been labeled by some as the "steel import problem."[3] Further, Dr. Weidenhammer said in his Report on Steel Imports that the fact that U.S. steel exports have been priced like domestic sales explained why "the U.S. producers withdrew from exporting other than under AID or specialty lines . . ."[4]

Looking at the evolution of the average value per ton of exports of steel mill products between 1960 and 1969 (see Table one may observe that the average value per ton of steel exported to third markets has been constantly well *above* the world market prices (as reflected by the average value per ton of imported steel). Between 1961 and 1968 the value differential ranged from $66 to $133. It is hardly credible that value differences of that amplitude could be explained only in terms of higher proportion of high-priced speciality steel and/or more highly finished steel among U.S. steel exports.[5]

The same Table V shows that the average export value per ton fluctuated quite *independently* of world market prices variation. More, while world market prices kept heading downward between 1964 and 1967 due to the buyers-market situation prevailing at that time, the average export value per ton increased by some 35 per cent. And, on the contrary, while the world market prices started moving upward in 1969, the average export value of U.S. steel did not stop decreasing (and preliminary figures for January 1970 show the same trend).

However, this recent decline in average export value helped to offset to a great extent the difference between world prices and U.S. export value (the value differential having been reduced from $133 in 1967 to $28 in 1969) as may be seen in Table V.

Do these export increases reveal that a new strategy by U.S. steel companies is now at work, namely to regain some eagerness in trying to sell American steel abroad as well as renunciation of a prohibitive export price policy? Some indications would seem to confirm that thesis.[6]

As far as the domestic market is concerned, until recently, when suggestions were made to the U.S. steel industry to adopt a more flexible price policy, its representatives repeatedly argued that to reduce prices would not help in recovering business.[7] Now, concerning the export market, one could ask if there is any relationship between tonnage and value per ton which allows determining the degree of responsiveness of demand from abroad for U.S. steel products to any change in export prices (expressed here in dollar value). Any time a reduction of the unit price for a given product induces a more than proportional additional volume of business, to reduce the price should result in bigger sales figures.

Annual variations in dollar value of exports and annual variations in tonnage exported between 1961 and 1968 are shown in Table VI.[8] From the data as given by that table a linear regression curve has been computed (see Figure 1) and may be expressed as follows: $t = -2.60 - 1.68v$ where v represents the percentage changes in the average value per ton of U.S. exports of steel mill products, and t represents the percentage changes in exported tonnage.

This means that, on the average, for a given year, a given percentage reduction (let's say, for instance, minus 1 point) in the average value per unit cor-

Footnotes appear on page 1889.

responds to a more than proportional percentage increase (in this case, plus 1.68 points) in exported tonnage.

Therefore, one could deduce from the above relationship that between 1961 and 1968 larger reductions in export prices were bound to improve rather significantly the sales of U.S. steel products on foreign markets.

JEAN LOUIS KRUSEMAN.

April 1970.

APPENDIX FOOTNOTES

[1] In 1957 some 5,348 thousand tons of steel mill products were exported, representing the highest tonnage exported during the fifties.

[2] In 1969, the U.S. steel industry was running at about 85.5 per cent of effective capacity (the latter being estimated at 165 million tons). In the SCSC, though some works have been working at full (technical) capacity, the level of utilization of (theoretical) capacity reached 89.8 percent.

[3] See, e.g., U.S. Senate, Committee on Finance, *Steel Imports* (A Staff Study), 90th Congress, 1st Session, December 19, 1967 (Washington: U.S. Government Printing Office, 1967), pp. 107, point 5; 108, point 6; 124. See also Walter Adams and Joel B. Dirlam, "Steel Imports and Vertical Oligopoly Power," *American Economic Review*, September 1964, pp. 626–55.

[4] See *Steel Imports* (A Staff Study), *op. cit.*, p. 126.

[5] In that respect, Note 1 of Table 44 in Steel Imports, *op. cit.*, p. 78 fails to take account of the differing price levels for steel in the U.S. and abroad.

[6] Mr. Henry J. Wallace, United States Steel Corp. sales Vice-President, was quoted as saying that his company thinks exports and has already sold abroad quite large tonnages of semi-finished steel products at prices (direct cost plus margin) below domestic price list. *American Metal Market*, March 17, 1969. According to Mr. Paolo Vernazza, Director, Titinco Anstolt Ltd., now that U.S. steel prices are pretty close to world market prices, American steel companies could take full advantage of the high level of demand for steel in Europe. *Industry Week*, January 26, 1970.

[7] Sometimes price reduction can be used as a short term strategic measure to assure "law and order" within the industry in the long run. Along that line, Bethlehem Steel in November 3, 1968, initiated a 22 per cent reduction in hot rolled carbon sheets priced to fight price shading by some of its competitors and to induce them to revert to the long-standing one price policy. See New York Times, November 5, 1968, pp. 67 and 75.

[8] The data for the year 1969 though they are given in Table will not be taken into consideration in the subsequent discussion because of the specific market conditions prevailing on major foreign markets during that year.

TABLE I.—U.S. EXPORTS OF SELECTED STEEL MILL PRODUCTS, 1968–69

[Short ton and percentage]

| Products and item number | 1968 | Variation 1968–67 | 1969 | Variation 1969–68 |
|---|---|---|---|---|
| Ingots, blooms, billets, slabs, etc. (1) | 553,802 | +82.2 | 1,822,645 | +229.0 |
| Wire rods (2) | 12,317 | +73.4 | 95,498 | +675.0 |
| Structural shapes (3) | 108,966 | +4.5 | 151,118 | +38.7 |
| Plates (5) | 59,331 | +9.7 | 221,347 | +273.1 |
| Rails standard, NEC (6–7) | 58,706 | +182.7 | 44,586 | —24.0 |
| Concrete rebars (11) | 26,096 | +20.9 | 86,762 | +232.5 |
| Bar shapes under 3 inchs (12) | 8,298 | +24.5 | 14,861 | +79.0 |
| Bars—H.R. carbon (13) | 38,514 | +16.5 | 93,779 | +143.5 |
| Cold finished bars (15) | 41,177 | +47.7 | 47,950 | +16.4 |
| Pipe and tubing (17–23) | 300,843 | +28.2 | 306,817 | +1.9 |
| Tin plate (30) | 278,038 | +3.5 | 324,105 | +16.6 |
| Sheets—hot rolled (33) | 158,130 | +58.5 | 984,967 | +522.9 |
| Sheets—cold rolled (34) | 137,908 | +79.6 | 432,847 | +213.9 |
| Sheets and strip (36) | 181,474 | —19.2 | 223,991 | +23.4 |
| Total (steel mill products) | 2,169,792 | +28.8 | 5,229,337 | +141.0 |

Source: AISI, annual statistical reports and data as released by AISI Statistical Division.

TABLE II.—U.S. EXPORTS OF STEEL MILL PRODUCTS BY SELECTED COUNTRIES OF DESTINATION, 1968-69

[Short ton and percentage]

| Country | 1968 | Variation 1968/1967 | 1969 | Variation 1969/1968 |
|---|---|---|---|---|
| Canada | 377,980 | +8 | 1,008,176 | +167 |
| Argentina | 175,362 | +212 | 696,319 | +298 |
| Chili | 13,453 | +8 | 71,088 | +428 |
| Colombia | 40,156 | +91 | 48,594 | −21 |
| Mexico | 90,130 | +5 | 109,884 | +22 |
| Peru | 16,907 | −20 | 19,585 | +16 |
| Venezuela | 42,921 | +41 | 85,931 | +100 |
| Total Latin America | 507,122 | +53 | 1,175,480 | +132 |
| West Germany | 12,421 | +78 | 304,714 | +1,353 |
| Belgium-Luxembourg | 26,318 | −30 | 209,343 | +695 |
| France | 27,047 | +499 | 239,024 | +784 |
| Italy | 36,486 | −15 | 408,694 | +1,020 |
| Netherlands | 24,235 | +446 | 28,826 | +19 |
| Total ECSC | 126,507 | +31 | 1,190,601 | +840 |
| United Kingdom | 66,017 | +172 | 270,481 | +310 |
| Sweden | 16,333 | +73 | 50,014 | +206 |
| Spain | 62,910 | −2 | 309,078 | +391 |
| Turkey | 8,360 | −10 | 23,375 | +180 |
| Total Europe | 330,287 | +50 | 2,207,900 | +568 |
| Israel | 5,287 | −26 | 11,071 | +109 |
| India | 36,339 | −30 | 60,063 | +65 |
| Pakistan | 489,131 | +45 | 240,511 | −51 |
| South Vietnam | 144,093 | +100 | 259,559 | +80 |
| Indonesia | 15,139 | +23 | 10,248 | −32 |
| Philippines | 26,840 | +18 | 20,845 | −22 |
| Taiwan | 19,184 | −21 | 17,267 | −10 |
| Hong Kong | 10,120 | −29 | 17,814 | +76 |
| Total Asia | 819,181 | +21 | 723,933 | −12 |
| Total Oceania | 23,295 | +16 | 18,280 | −21 |
| Total Africa | 111,927 | +32 | 95,568 | −15 |

Source: AISI, annual statistical reports, and data as released by the AISI Statistical Division.

TABLE III.—U.S. EXPORTS OF STEEL MILL PRODUCTS BY AREA IN PERCEKTAGE OF TOTAL EXPORTS, 1967-69

[In percent]

| Area | 1967 | 1968 | 1969 |
|---|---|---|---|
| Canada | 20.8 | 17.4 | 19.3 |
| Total Latin America | 19.7 | 23.4 | 22.5 |
| ECSC | 5.7 | 5.8 | 22.8 |
| Total Europe | 13.0 | 15.2 | 42.5 |
| Total Asia | 40.3 | 37.8 | 13.8 |
| Total Oceania | 1.2 | 1.2 | .4 |
| Total Africa | 5.0 | 5.2 | 1.8 |
| Total | 100.0 | 100.0 | 100.0 |

Note: Sum of individual figures might differ from 100 due to rounding.

Source: Computed from data as given by table II.

TABLE IV.—U.S. EXPORTS OF STEEL MILL PRODUCTS BY DESTINATION IN 1967, 1968, AND 1969 AS PERCENTAGE OF 1957 STEEL MILL PRODUCTS EXPORTS

[Index 1957 equals 100]

| Area | 1957 | 1967 | 1968 | 1969 |
|---|---|---|---|---|
| Canada | 100 | 21.5 | 23.2 | 62.0 |
| Latin America | 100 | 23.0 | 35.2 | 81.5 |
| Europe | 100 | 24.5 | 37.0 | 246.0 |
| ECSC | 100 | 32.7 | 48.8 | 404.0 |
| Asia | 100 | 60.0 | 72.3 | 64.0 |
| Total | 100 | 31.5 | 40.5 | 98.0 |

Note: See Jean-Louis Kruseman, "An Analysis of the Economic Effects of Imports and Exports of Steel Products on the U.S. Steel Industry" (master's thesis, University of Rhode Island, Kingston, 1968), table X, p. 34.

Source: Computed from data in tons as given by AISI, annual statistical reports, various years.

TABLE V.—U.S. STEEL INDUSTRY. EXPORT VALUE VERSUS IMPORT VALUE PER TON OF STEEL MILL PRODUCTS, 1960–70

[Dollar per net ton]

| Year | Average export value | Average import value | Difference |
|---|---|---|---|
| 1960 | 202 | 133 | 58 |
| 1961 | 212 | 121 | 91 |
| 1962 | 210 | 118 | 92 |
| 1963 | 210 | 117 | 93 |
| 1964 | 182 | 116 | 66 |
| 1965 | 204 | 113 | 91 |
| 1966 | 243 | 112 | 131 |
| 1967 | 246 | 113 | 133 |
| 1968 | 204 | 110 | 94 |
| 1969 | 152 | 124 | 28 |
| 1970 (January) | 130 | | |

Source: Computed from the data as given by Statistical Division of American Iron & Steel Institute and by the U.S. Department of Commerce in "Foreign Trade, Exports by Commodity," December of each year.

TABLE VI.—ANNUAL PERCENTAGE CHANGE IN TONNAGE AND AVERAGE VALUE PER TON OF U.S. EXPORTS OF STEEL MILL PRODUCTS, 1961–70

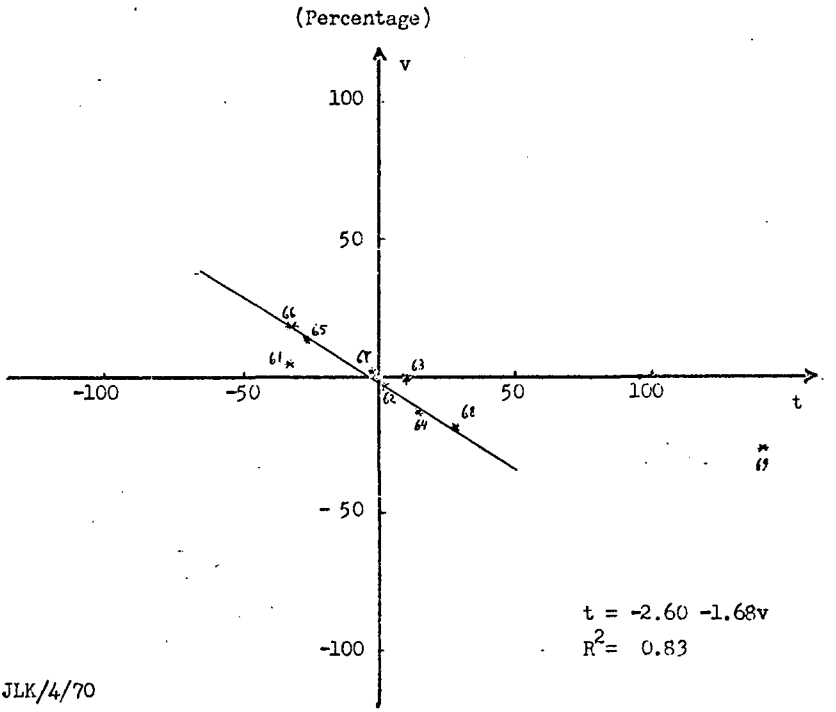
| Year | Percent change, average export value per ton | Percent change, exported tonnage | Year | Percent change, average export value per ton | Percent change, exported tonnage |
|---|---|---|---|---|---|
| 1961 | +5.0 | −33.5 | 1966 | +19.0 | −31.0 |
| 1962 | −1.0 | +.5 | 1967 | +1.2 | −2.0 |
| 1963 | .0 | +10.5 | 1968 | −17.0 | +29.0 |
| 1964 | −13.2 | +15.5 | 1969 | −25.5 | +141.0 |
| 1965 | +16.5 | −27.5 | 1970 (January) | −14.5 | [1] +51.0 |

[1] Assuming the January export tonnage as 1/12 of total 1970 exports.

Source: Computed from the data as given by Statistical Division of American Iron and Steel Institute, and by the U.S Department of Commerce, "Foreign Trade, Exports by Commodity," December of each year.

FIGURE 1

CORRELATION BETWEEN VARIATIONS IN EXPORTED TONNAGE (t) AND VARIATIONS IN AVERAGE VALUE (v) PER TON OF U.S. EXPORTS OF STEEL MILL PRODUCTS, 1961-68




APPENDIX B—COMPETITIVE EFFECTS OF THE DEVELOPMENT OF SMALL STEEL PLANTS

Thirty-seven steel plants with capacities under 500,000 tons per year apiece have a total annual capacity of 5.3 million tons, according to a survey in *Iron Age*.[1] They make their raw steel in electric-arc furnaces. Fifty-five percent of them have continuous-casting machines. A great part of their product is concrete reinforcing bars, light shapes and hot-rolled bars.

Their raw material is mostly ferrous scrap, and some are experimenting with pre-reduced pellets, so that they can avoid the heavy capital costs and large scale inherent in the use of blast furnaces. By using continuous casting machines and rolling mills designed for small shapes they can build integrated capacity at capital costs substantially lower than those of traditional large steel mills. Most of them are new ventures since World War II.

Not included in this listing are a number of small and medium-sized plants belonging to the larger steel companies, and a number of small producers of specialty and stainless steels, using much the same technology.

This development is likely to be supported by additional new technological developments, such as continuous slab-casting machines, which may open the market for flat-rolled products to small plants, and direct reduction of iron ore, which will bypass the blast furnace and make raw iron more generally available.

[1] G. J. McManus, "Mini-Mills Leery of Midi-Mill Size," *Iron Age*, May 21, 1970, p. 71.

It is quite possible that production costs of important categories of steel products will be lower in these small plants than in larger ones using traditional technology. Ultimately this could result in a restructuring of the American steel industry, with a few very large integrated plants of modern design producing a share of the total national steel supply, and a fairly large number of small, geographically scattered firms supplying an increasing share.

At the very least, this opens up new channels of development and widens the range of technological possibilities. Two important effects on the market structure of the industry are likely to follow:

1. A greatly lessened dependence on very large plants.
2. A reduction in barriers to entry, and a consequent lessening of oligopolistic limitations on competition and technological change.

WILLIAM HALLER, JR.

Mr. GIBBONS. Mr. Burke.

Mr. BURKE. Professor, I am greatly impressed by this tremendous amount of statistics you have gathered for us.

How long did it take you to put these together?

Dr. DIRLAM. Well, I should say that there have been continuous studies going on in this area. Let us say it represents the work of a year.

Mr. BURKE. Is that in connection with your work at the University of Rhode Island or is that extracurricular on your part?

Dr. DIRLAM. This is part of the research work that I do which is part of my academic responsibility.

Mr. BURKE. You do not do it for any tax-exempt foundation? You don't derive any income or other assistance?

Dr. DIRLAM. I don't derive any income from this research.

Mr. BURKE. This is all in connection with your university work?

Dr. DIRLAM. It is in connection with the university work and it is in connection with the Institute for the Study of the International Aspects of Competition which conducts studies not only on steel but other areas, too.

Mr. BURKE. You have expounded here today and apparently you feel that there is no threat to American industry when we compete with these very low-wage countries.

Dr. DIRLAM. I would like to rephrase it by saying that some of these other countries, particular Japan, have managed to achieve higher rates of output or higher rates of growth of output per man-hour than we have.

It isn't so much the low wages which enable them to make their steel more cheaply, but, rather, their increases in productivity, which is brought out particularly in tables 5 and 6 of my prepared statement.

Second, I don't think that these imports represent a threat. I would look at them more as a challenge and as part of the normal competitive process upon which one depends to bring about greater efficiency here.

Mr. BURKE. Would you recommend that the U.S. Government do the same with industry here as the Japanese Government is doing with industry over there—subsidizing them?

Dr. DIRLAM. As I understand it, the efficiency of the Japanese comes from the innovations which they have made in their plants. They have had a higher percentage of oxygen conversion process than we have. They have imported ore which has a higher iron content than we have, and also have adopted blast furnace procedures which are in advance of ours.

These, it seems to me, are what gives them the advantage to the extent that they have it, rather than government policy.

Mr. BURKE. Not the differential in wages? What is the average wage for the average steelworker in America?

Dr. DIRLAM. I have the average annual income for Japanese steelworkers as compared with the United States in the International Metal Workers Federation.

In 1968, the average U.S. steelworker got a little more than $10,000 a year and the average Japanese worker about $4,100.

This is the average employment cost per worker. So we are a little more than twice.

Mr. BURKE. How many steelworkers are there in America?

Dr. DIRLAM. Currently about 540,000. It is 544,000.

Mr. BURKE. And that figures out to a differential of about $3 billion a year in salaries, is that right?

Dr. DIRLAM. It might. I don't know how many Japanese are involved.

Mr. BURKE. Would you say a difference in cost of about $3 billion would have any effect on competition, as far as wages are concerned?

Dr. DIRLAM. It would have some effect; yes, sir.

Mr. BURKE. How much of an effect?

Dr. DIRLAM. I would be unable to say because one has to take into account that there are other costs that the Japanese have which are higher than ours. We have domestic materials ready at hand. They have to import their ore, their coke, and coal, and then, after paying the transportation charges on those, ship them a long distance over here.

Professor Thorn, who has made the most detailed study I am aware of, of comparative costs, in an article which I cite in my prepared statement, came to the conclusion, actually, that when one took into account the higher materials cost for the Japanese and their transportation costs, that there was almost no cost differential between them and U.S. producers.

This was in an analysis published in the Western Economic Journal in December 1968.

Mr. BURKE. All I can see here is what is before me and the figures you have given me, which indicates it is over a $3 billion differential in wage cost. I would imagine that must have some effect.

The U.S. steel companies don't ship their steel right at their factories, do they? They have to ship their steel all over the world just like Japan does. They have to ship it to the west coast, to Canada, and other places, so they have shipment costs, too.

What are the transportation costs on Japanese vessels in comparison to American vessels?

Dr. DIRLAM. These costs were taken into account by Professor Thorn. I am relying on his study.

Mr. BURKE. And he came to the conclusion that it was higher for transportation costs to Japan? Do you mean in just shipping to the United States?

Dr. DIRLAM. The cost per ton of steel delivered from Japan and from Europe to the United States was relatively the same as ours. The cost differential was slight.

Mr. BURKE. I can't understand how you can sit there so complacently and feel that a differential of over $3 billion in wage costs has very little effect on the competition.

Dr. DIRLAM. We may pay $3 billion more—I am not sure that the figure is correct——

Mr. BURKE. That is a conservative estimate.

Dr. DIRLAM. Well, I haven't analyzed the wage cost differential. Of course, we produce more steel than the Japanese. What I am interested in is unit cost. Evidently, the Japanese do have a lower unit cost than we do in their production, but they do suffer some handicaps since they have to transport their materials and buy them outside, whereas, we have captive coal mines for the steel industry and we have also captive iron mines.

Mr. BURKE. You also seem to gloss over the free trade. You believe in free trade on the part of our imports but you don't mention the restrictions these countries place on our exports to those countries.

What would you say about removing the restrictions of imports into Japan?

Dr. DIRLAM. As far as steel is concerned, I doubt very much, given the present level of efficiency of the Japanese plants, whether it would be possible for any U.S. steel company to sell steel in Japan.

Other countries do sell steel in Japan. We sell hardly any. If there are any trade restrictions such as nontariff barriers which would prevent U.S. Steel or Bethlehem from marketing in Japan, I would certainly be in favor of eliminating them.

Mr. BURKE. What about automobiles being shipped into Japan? A lot of those are made from American steel. Wouldn't it be nice if they allowed us to export our automobiles over there?

Dr. DIRLAM. Certainly.

Mr. BURKE. What about automobile parts?

Dr. DIRLAM. I would certainly agree with you.

Mr. BURKE. And machinery parts?

Dr. DIRLAM. I certainly think if there are any——

Mr. BURKE. Until they do something, don't you think we should have some bargaining effect on this side, or should we just allow the conditions to continue whereby they get all the goodies and we get all the headaches?

Dr. DIRLAM. I think that we suffer——

Mr. BURKE. I think it is wonderful for you to have this philosophy. It sounds very nice. In fact, I almost went along with that type of philosophy in 1962 when I voted for the trade bill.

Now we find out we have a drop in trade balance of almost $1 billion a year. Now with the elimination as proposed by the administration of the American selling price, and the further reductions in tariff, that imbalance might develop up to $2 billion a year.

How long do you think the economy of this country can stand up under that type of procedure?

Dr. DIRLAM. As I indicated, I am really not troubled by a decline——

Mr. BURKE. I mean the fellow who is working in the steel mill, and the fellow who was working in the textile factory, the shoe factory, the glassware factory and other firms, they are concerned because it is their livelihood.

What do you tell those people when they lose their jobs?

Dr. DIRLAM. Mr. Burke, as I say, I haven't been able to discover that any steelworker other than perhaps 500 who were named in some recent Tariff Commission proceedings have actually lost their jobs.

There hasn't been unemployment in steel. The thing that disturbs

Mr. Bernstein of the United Steelworkers of America is that if anyone is temporarily laid off in steel, he immediately gets another job and won't return. So the steel problem is one of finding people, not of dealing with people who are laid off.

Mr. BURKE. You are talking about the war economy. I am talking about what happens in a peace economy. How many jobs will be lost?

Dr. DIRLAM. I think in a peace economy we have so many substitutes for the demands that we now have for military expenditures that there won't be a problem.

I think we can use tremendous quantities of steel in construction and rebuilding cities. I think it will have an even greater pressure on steel than now. I really don't think there will be a problem of unemployment.

Mr. BURKE. You don't think so?

Dr. DIRLAM. I think we have other avenues of expenditures.

Mr. BURKE. I am glad you have that feeling, an optimistic feeling that I don't enjoy.

Dr. DIRLAM. It seems to me we now have unemployment and the war.

Mr. BURKE. We are getting unemployment heavier every day. If we have an imbalance of trade dropping at the rate of $1 billion a year, and the debt limit being raised $18 billion this year, with the Federal Government being forced to go out in the money market and borrow $10 billion, where are we going to get this money to do all this development in the urban areas?

Dr. DIRLAM. I think if we cut our military expenditures quite substantially we should be able to.

Mr. BURKE. The debt limit is going up $18 billion this year. How much can you cut them? How much can you transfer over? You have inflation. You have unemployment rising. You have imports accelerating at a terrific rate.

You heard the stainless steel people here today point out that imports are taking 56 percent of their market in the first quarter of this year. You have heard the testimony that 155 shoe factories have closed up during the last 18 months.

You have possibly been acquainted with the testimony that 77,000 textile workers lost their jobs. Apparently, none of this seems to concern you.

I admire your complacency and also the optimism that you express about the peacetime economy.

If all of these people are unemployed, where are they going to get the jobs? Where are they going to get the money to buy the material that these importers are shipping in here?

Dr. DIRLAM. Since we had full employment until quite recently, I feel that the importers were not responsible for the current level of unemployment. That seems to be due more to monetary policy.

Mr. BURKE. It is a cause for unemployment in my area, I assure you, up in the southeastern part of Massachusetts and down through Rhode Island. The Uniroyal people in your State closed up. How many people lost their jobs there?

Dr. DIRLAM. Several hundred.

Mr. BURKE. It was around 3,000. Does that bother the people of Rhode Island?

Dr. DIRLAM. I don't know if that was the result of imports or not.

Mr. BURKE. It was stated by the people that had the company.

Dr. DIRLAM. Oftentimes a company will say that imports are responsible when actually the plant was going to be closed down for other reasons.

Mr. BURKE. B. F. Goodrich in Massachusetts reduced their employment by 5,000 people in 5 years. They stated it was because of imports. The rubber footwear people will be testifying tomorrow. I have the Randy Shoe factory in my district where employment was reduced from about 1,200 to about 600.

Are the people of Rhode Island concerned about your testimony today?

You are connected with the University of Rhode Island. I would think that some of those mills that are closing up, where people are losing their jobs, may not have reached you.

Dr. DIRLAM. If one looks at the history of the textile industry in Rhode Island, most of the losses came when mills were hurt by competition from the South. I don't believe that I would have supported any provision that would have protected Rhode Island industry against competition from more efficient mills in the South.

Mr. BURKE. The arguments used at that time when they were pirating industry out of New England were the same arguments that you have presented today, that we are faced with competition. They went down into States where they had no minimum wages.

Now they are being pirated overseas, those jobs are being exported overseas. You say that is nothing to be concerned about. If you have ridden through the cities of Woonsocket, Pawtucket, down through Fall River, and New Bedford, you see those monolithic textile mills that are empty which formerly employed 50,000 to 60,000 people.

You don't think that has ever left any mark on those communities?

Dr. DIRLAM. I am simply saying that now the unemployment rate in Rhode Island is low. The unemployment rate in the United States has been low until quite recently. Hence, I don't see that imports have caused serious unemployment. People have gotten other jobs.

Actually the increase in imports has been accompanied by the increase in exports. Now we can't forbid imports without damaging our exports.

Mr. BURKE. There is a drop of a billion dollars a year in the balance of trade.

Dr. DIRLAM. I am speaking about total exports. Total exports were at a peak in 1969, $35.489 billion worth of exports.

Mr. BURKE. That includes military aid and economic aid?

Dr. DIRLAM. That's right.

Mr. BURKE. That is paid for by the taxpayers. You really should not put those figures in there.

Dr. DIRLAM. This represents the total of exports, a large part of which is financed by imports.

Mr. BURKE. All that stuff we are shipping to Vietnam, Korea, our forces in NATO. It costs us $25,000 a year to maintain one soldier in Europe. That is $25,000 that is exported.

I appreciate your figures and everything here, but I think we would be living in a fool's paradise if we allow things to continue the way they are going.

Dr. DIRLAM. I feel that if someone is unemployed through imports, if we can show there has been an increase in imports and someone

has lost his job, is unable to get another one, doesn't retire, then he should be aided, which is, as I understand what the President——

Mr. BURKE. If he is earning a hundred dollars a week, they will pay him $65 a week for 52 weeks. At that time if there is no industry to train him for, no jobs, he then goes on welfare for the rest of his life if he is 55 or 58 years of age.

You don't paint too healthy a picture for the economy of the United States. Apparently your philosophy is that if the industry is injured and they can prove it, they can give him 52 weeks of unemployment and 65 percent of his wage. At the end of that time he can just go on welfare.

In the city of New York they have about 18 percent on welfare. I have in mind some of the communities up through New England that you are apparently acquainted with. Just what industries are they going to bring in there?

Dr. DIRLAM. It seems to me New England represents wonderfully how other industries have managed to substitute for the ones that have been lost.

Mr. BURKE. We are losing those. We had the granite industry up our way for many years, but people aren't buying granite any more except maybe for a few grave headstones. They are gone. The textile industry is practically wiped out.

The shoe industry is about to be exterminated. The electronic business that we had great hopes for is now finding itself in real stiff competition. I imagine you are reading the newspapers about many of the people who are employed in some of these high-paying jobs in the electronic industry that are being laid off, people who earned $20,000 to $25,000 a year and now can't find a job for a hundred dollars a week.

I admire you for sitting there so complacently and taking this great optimistic view of the future, but I don't see where it is going to take place.

Dr. DIRLAM. This was based on my detailed examination of the statistics in the steel industry, which failed to show that imports had caused any unemployment.

Mr. BURKE. I think what you should do is go down to Pennsylvania and go down among the steelworkers and talk to them. Forget about the statistics. Get down and talk to human beings who are being affected.

You might have a different view on it.

Dr. DIRLAM. I got the statistics on unemployment in every steel center. This failed to show——

Mr. BURKE. Forget about statistics. Go right down into the areas and talk to the steelworkers and find out what their problems are. Then you might get a little bit of a different view on it.

I think you have presented a great deal of statistics here. In fact, they are overwhelming. I should think it would be a very costly venture to get all these statistics together. But as you have told me, this is purely out of your salary as a professor at the University of Rhode Island and you give a strong talk that would indicate, you almost sound to me like—and of course I would never accuse you of this, but you have given a great argument in favor of Japan.

That is all, Mr. Chairman.

Mr. GIBBONS. Yes, Mr. Conable.

Mr. CONABLE. Prof. Dirham, I think this is a very helpful statement. I think that the statistics have their place, too. I would like to tell you that I believe there is something to be gained from looking at statistics.

I am sorry, I did not hear your entire statement. I heard the last part of it. Would you please give us a quick summary of the comparison of the impact on competition of tariffs and quotas.

In the past we have gone the tariff route usually. As I understand it, tariffs do leave some room for competition. Do you have any conclusions about the comparisons of these two systems of restrictions on trade with respect to competition and pricing or have you made your study almost entirely with respect to quotas and let the tariffs pretty much alone.

Dr. DIRLAM. I haven't made any study of the effect of tariffs on steel. I took the position, which is conventional, one might say, among economists, which is pretty much as you have expressed it, that is, if one has to be protectionist, tariffs are to be preferred to quotas because a foreign producer can always have a chance of selling, even with a tariff, if his costs are low enough.

Whereas, if there is a quota, it does not matter how low his cost may be, he cannot overcome the quota.

Mr. CONABLE. Quotas exclude both the efficient and inefficient producer.

Dr. DIRLAM. That's correct.

Mr. CONABLE. Is steel unique in the area of supply? Is there any reason to believe that cutting the supply of steel has a greater impact on prices than cutting the supply, for instances, of textiles?

Dr. DIRLAM. The steel industry is much more highly concentrated You could call it an oligopoly. Hence, any sort of protection for the steel industry gives greater latitude for the domestic producers who follow a kind of quasi-collusion or price leadership method of pricing in any event to raise their prices.

Mr. CONABLE. Looking at the domestic industry, then, you say the textile industry would have many more sources of supply and, therefore, there is not the chance for price fixing there might be with steel?

Dr. DIRLAM. I haven't made a sufficiently detailed analysis of what the textile industry is like today, but simply drawing on the structure of the industry, it would appear it is more likely to be competitive because there are more textile firms than there are steel firms.

Mr. CONABLE. Therefore quotas in the textile industry probably would not have the same impact on price there that they might on steel? I realize I am asking you to go beyond what your study is.

Dr. DIRLAM. This would be going beyond my study.

Mr. CONABLE. Do you have any opinion about it?

Dr. DIRLAM. I would hypothesize that quotas might have less impact on domestic prices in textiles.

Mr. CONABLE. Is there any steel industry that is in worse shape than ours as a result of competition? Our big competitors are Japan, Italy, Germany. Has British steel been able to maintain its exports and the basic soundness of the industry or have British steel producers suffered also?

Dr. DIRLAM. The British steel industry has had a very financial poor year. The British industry had certain long-run difficulties because of very poor location of plants, high transportation costs, lack of sufficient integration.

Whether the nationalization program was the way to achieve efficiency is debatable. I believe they lost a considerable amount of money last year.

Mr. CONABLE. From the available statistics their profit margin is worse than ours, is it?

Dr. DIRLAM. For a nationalized industry it is. The French had poor years in 1967 and 1969. Again, the French steel industry is highly competitive. There were many more producers than there were here. They did not have such a high percentage of concentration.

Mr. CONABLE. How long has our steel industry been in some trouble on margin of profit? You mentioned in your statement that it was not a profitable industry for some time, even before the advent of large waves of imports.

Dr. DIRLAM. There was a period of only a few years in which it even approximated the manufacturing average.

Mr. GIBBONS. Table 14, net profit after taxes.

Dr. DIRLAM. In 1955 it did fairly well and in 1956. In 1950, 1948. Otherwise, it has been a poor earner. This was even true, of course, prior to World War II.

Mr. CONABLE. So that immediately after World War II when we presumably did not have much competition from the Japanese and the Italians, even at that time it was not a highly profitable industry.

Dr. DIRLAM. It has always complained about the level of return.

Mr. CONABLE. That is very interesting in view of our readily available natural resources compared to these other countries.

Thank you, Mr. Chairman. That is all.

Mr. GIBBONS. Mr. Schneebeli?

Mr. SCHNEEBELI. No question.

Mr. BURKE. Mr. Chairman?

Mr. GIBBONS. Yes, sir.

Mr. BURKE. How much concentration is there by foreign steel producers on fixing prices? Say in the Japanese steel industry how do they arrange their prices?

Dr. DIRLAM. The Japanese steel industry is, as I understand it—I don't pretend to be an expert on Japanese steel, but I gather from reading the trade publications that the attempts by the Ministry of Industry in Japan to have the Japanese mills follow their published prices have not been successful. There seems to be a lot of private negotiation.

As far as the European market is concerned, it was notorious until 1969 for an almost cutthroat competitive situation where individual mills were making deals and where the published price lists were almost meaningless.

It was much more highly competitive than ours. I think the characterization of the IMF that I have read into the record, that is, that the U.S. industry is perhaps unique in its price rigidities and the extent to which it adheres to published prices, is correct.

Mr. GIBBONS. Do you have any more questions, Mr. Burke?

Mr. BURKE. No, thank you.

Mr. GIBBONS. Let us go to that table 14. I want to make sure I understand it thoroughly. You use the net profits after taxes as a percentage of net worth?

Dr. DIRLAM. That is correct.

Mr. GIBBONS. Why do you use net worth?

Dr. DIRLAM. I used net worth because this is the ratio that most investors use when trying to decide on whether they should purchase one stock or another. You ask what is the company earning on the equity because that is the return that ultimately you are going to be able to call upon as a stockholder.

Mr. GIBBONS. I don't guess it is possible to develop any figures on what is the return on their invested capital, is there?

Dr. DIRLAM. I haven't made that computation. It seemed to me this was the figure that the market would look at and investors would look at.

Mr. GIBBONS. Over here in your right-hand the column where you have "leading manufacturers," there does not seem to be a wide variation. I guess there is a pretty wide variation as the economy moves up and down. Is that what it is?

Dr. DIRLAM. Yes.

Mr. GIBBONS. From 1958 to 1969 the steel industry had just 10, sort of, mediocre years, is that right?

Dr. DIRLAM. It does not show much improvement.

Mr. GIBBONS. It did not go up much or down much.

Dr. DIRLAM. Mostly level. Some improvement in 1965, which was a good year relatively for the steel industry, but not good compared with manufacturing industry in general.

Mr. GIBBONS. When did the industry start complaining about imports?

Mr. DIRLAM. They started complaining in 1959. But imports in 1959 were a very, very small percentage compared to what they were in 1968.

Mr. GIBBONS. Anywhere in all these exhibits do you have any comparison of wage levels in United States and Japan?

Dr. DIRLAM. I have what I regard as a more significant comparison in tables 5 and 6, which show unit labor costs in the two countries. If you look at table 5, you will see the index of total output for the United States. You see index of output per man-hour.

Beginning in 1957, while the U.S. output per man-hour—and these are Bureau of Labor Statistics figures, I did not compute these—index of U.S. output per man-hour had gone up to 118.6 on the basis of 1957. In 1967 the Japanese index of output per man-hour was 304.7. This is simply what is produced per man-hour. It has nothing to do with wages.

But it shows that the Japanese labor was really much more productive. If you look at Table 6, which shows unit labor cost change from 1957 to 1967 on an annual average basis, Japan's unit labor cost has been decreasing whereas ours has risen slightly. Again this is a reflection of the increased productivity of Japanese labor, because during that period Japanese money wages were rising.

Mr. GIBBONS. That is very interesting, but can't you compare the actual wages in dollars? Is Japanese labor paid one-third of what American labor is, one-sixth this or two-thirds or what?

Dr. DIRLAM. Relying on this——

Mr. GIBBONS. I realize you have to include fringe benefits.

Dr. DIRLAM. Including all benefits, total improvement cost for U.S. workers for U.S. Steel was about $10,190 and was around $4,000 for a typical Japanese plant. Total labor cost per employee for U.S. Steel in 1968 was $10,227 and for Yawata Iron and Steel, $3,220.

Mr. GIBBONS. Roughly a third.

Mr. BURKE. What is their hourly wage? These figures are just generalizing. What does a steel worker in Japan get per hour and what does a steel worker in the United States get per hour and what does a steel worker in the United States get per hour?

Dr. DIRLAM. I think the relative amount per hour is indicated by the annual wage.

Mr. BURKE. Actually it is about 6 to 1, is it not?

Dr. DIRLAM. No, sir, it is closer to 3 to 1 if one takes the annual employment.

Mr. GIBBONS. Can you identify the source of those figures?

Mr. BURKE. Why don't we have the record open for you to put in at this point what the average hourly wage of the steel worker in a steel mill in Japan is and what the average hourly wage earner in the United States receives. Forget about what you have there.

Dr. DIRLAM. I will put it in the record. I don't seem to have it here.

(The information requested follows:)

UNIVERSITY OF RHODE ISLAND,
DEPARTMENT OF ECONOMICS,
*Kingston, R.I.,*

Mr. JOHN M. MARTIN, Jr.,
*Chief Counsel, Committee on Ways and Means,*
*House of Representatives, Washington, D.C.*

DEAR MR. MARTIN: I am writing in response to your letter of June 23 regarding Congressman Burke's request for information as to wage levels of steelworkers in Japan and the United States.

As Professor Dirlam is in Europe at this time, I am sending the requested information in his stead. I thought that this data had been included with the material previously sent.

The Bureau of Labor Statistics (*Monthly Labor Review*, August 1969, P. 18) shows that the average hourly labor cost in 1964 was estimated at $4.63 in the United States (based on American Iron and Steel Institute data which differs in method from the BLS data) and between $.78 and $.79 in Japan (based on national country sources). Based on changes in the indexes of hourly labor cost, they estimated that the corresponding 1967 figures would be $5.03 in the United States and $1.07 to $1.09 in Japan. No data later than 1967 is available on the Japanese iron and steel industry's average hourly labor cost.

I am sorry for the inconvenience.

Sincerely yours,

RONALD L. RATTEY

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UNIVERSITY OF RHODE ISLAND,
DEPARTMENT OF ECONOMICS,
*Kingston, R.I.*

Mr. JOHN M. MARTIN, Jr.,
*Chief Counsel, Committee on Ways and Means,*
*House of Representatives, Washington, D.C.*

DEAR MR. MARTIN: I have just come across the following information as to the wage levels of steelworkers in Japan and the United States (requested by Congressman Burke on June 1) which may supplement that which I sent on July 1.

"Average hourly labor costs in the U.S. steel industry came to $4.67 in 1967, compared with $1.22 for Japan." (*World Business*, Chase Manhattan Bank, N.A., No. 18, First Quarter 1970 special edition on Japan, p. 35.)

Sincerely yours,

RONALD L. RATTEY,
*Department of Economics.*

Mr. BURKE. The average steelworker here gets over $3 an hour.

Dr. DIRLAM. According to the latest settlement he gets $5.

Mr. BURKE. In other words, you are telling us that the Japanese steel worker is getting about $2.50 an hour? Is that what you are trying to imply? My figures are that he gets closer to 60 cents an hour.

Dr. DIRLAM. The Japanese workers work under somewhat different circumstances. They are not so much interested in their hourly pay, because they get a number of benefits paid by the year.

Mr. BURKE. It has a great deal to do with the competition that the United States steel-producing plants are faced with. You have 544,000 employees here. I wouldn't mind it too much if they were getting around $2.50 or $2.60 an hour over there, but I have not heard testimony yet by anyone that would indicate they are getting anything over a dollar an hour. In fact, the information I have indicates that they are averaging around 60 cents an hour.

Dr. DIRLAM. Mr. Burke, I think I can give this to you. This is from the United States Steel publication I was referring to.

Mr. GIBBONS. Will you identify it so that the record will be clear.

Dr. DIRLAM. This is the monthly Labor Review, August 1969—I am afraid it does not have what you are interested in.

It shows indexes, not actual currency amounts. For instance, on a national currency basis, if one starts with 1957, the unit labor cost in Japan had fallen from 100 to 70.9, whereas hours have risen from 100 to 117. I will try to get that for you.

However, as I say, international trade takes place because of difference in cost, so that even though the Japanese may be paying lower real labor costs than we do, this does not necessarily mean we ought to exclude Japanese products.

Mr. BURKE. You know what is happening. The industry is migrating to the places where the wages are the lowest and the products are migrating to the places where the prices are the highest, which is in the United States. It is just as simple as that, is it not?

Dr. DIRLAM. I would say that the structure of trade is changing and we are exporting those products which we produce more efficiently than other people.

Mr. BURKE. We are exporting jobs, that is what we are doing. We are exporting hundreds of thousands of jobs.

Dr. DIRLAM. I do know that the steel industry is having great difficulty in finding anybody to work in the mills. So it is difficult for me to see how there can be unemployment.

Mr. BURKE. I can tell them a lot of places they can go. They can go into the ghetto areas of this Nation and they will find hundreds of thousands of able-bodied men who looking for jobs and would be glad to get them.

I think we have to start looking at these things and find out what we can do to keep the people working here. I do not want to be too critical of you, but I think you are taking a rather "pie in the sky" outlook at things and the facts don't seem to substantiate what you have said.

I appreciate what you have presented here, but whe you saw those empty mills down in Pawtucket, R.I., that should have told you the story. When you saw Uniroyal Co. in Rhode Island close up, that should tell you something.

Dr. DIRLAM. I know in the Providence Journal every Sunday one

can find hundreds of want ads of employers looking for employees. Maybe those people have found jobs also.

Mr. BURKE. I notice that they are very highly technical jobs they are looking for and those take up half the want ads. The rest of them are very low-paid jobs at the other end of the spectrum. Actually there is nothing there for the middle man. When a fellow loses his job in a steel mill where he was getting over $5 an hour, where does he go to work to pick up that slack? Where is there a job available that will pay him $2.50 an hour?

These are the things that I think have to be answered and I don't think we can look at them in a very complacent way, because they are happening around us. They are happening right up there in New England where your school is located.

I would think that the University of Rhode Island would be looking into this problem. And forget about the steel mills, they don't affect Rhode Island too much, but we certainly are affected by the closing of footwear places and textiles and electronic firms, sporting goods outfits, other firms of that type.

I don't know why the University of Rhode Island has not put in a study for that.

This is a terrific report here. I would more than likely have to hire 15 specialists to produce this report.

Dr. DIRLAM. I should say that the Institute has relied on research assistance and some consultants for the preparation.

Mr. BURKE. That is what I tried to find out. I am amazed that you were able to compile all this yourself without any assistance, financial assistance or otherwise.

Dr. DIRLAM. Excuse me, you asked me whether I had any income from it. I said I didn't. I wrote and prepared the statement.

Mr. BURKE. What other groups contributed to this report?

Dr. DIRLAM. One of the assistants is in the room now. I had an economist from Brown University working on the problem of unemployment in the steel industry. He has a manuscript.

Mr. BURKE. Is he on a grant by some foundation?

Dr. DIRLAM. Yes, from the Institute. His assignment was to try to determine how much unemployment had been caused by imports, using every available source. He corresponded with the union. He interviewed steel firms. We looked at the hearings, the Dent committee hearings, and the statistics. I draw partly on his unpublished work.

Mr. BURKE. What foundations helped finance the work?

Dr. DIRLAM. The Institute for Study of International Aspects of Competition.

Mr. BURKE. A tax-exempt foundation?

Dr. DIRLAM. Excuse me?

Mr. BURKE. Who finances that foundation? Who has made the contribution that set this foundation up?

Dr. DIRLAM. The American Institute for Imported Steel.

Mr. BURKE. Somebody had to put some money into the foundation to get it operating, to do scientific, educational, charitable work. Who are the people who contributed to the setup of this foundation?

Dr. DIRLAM. My institute——

Mr. BURKE. No, the institute you are saying contributed toward the study.

Dr. DIRLAM. The steel importers.

Mr. BURKE. Steel importers?

Dr. DIRLAM. That is correct.

Mr. BURKE. Is that the only foundation that contributed toward the cost?

Dr. DIRLAM. That's right.

Mr. BURKE. That is all, Mr. Chairman.

Mr. GIBBONS. Thank you, sir.

Dr. DIRLAM. I might add that there is absolutely no restriction on the type of research that is done by the Institute for Study of International Competition and that we are doing other research in addition to this steel study.

Mr. BURKE. I am not being critical. I am just merely being inquisitive. I would like to know who these charitable gentlemen are, who are paying for all this research that is being done. That is all.

Mr. GIBBONS. Thank you, sir.

Dr. DIRLAM. Thank you, Mr. Chairman.

Mr. BURKE. We have some cases where some foundations have been taking public officials all over the world, paying for their trips and hotel bills and everything else. They are living kind of a lush life. We have been looking into foundations. Some of them have not been too savory.

Mr. GIBBONS. Come on up, Congressman Buchanan. We will get started with Mr. William P. Wilcox here.

## STATEMENT OF HON. JOHN HALL BUCHANAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. BUCHANAN. Mr. Chairman, I am happy to present to the committee Mr. William F. Wilcox of Stockham Valves & Fittings Co. in Birmingham, Ala. Mr. Wilcox attended the University of Alabama, graduated from Birmingham Southern University and taught there. For some 18 years he has been employed by Stockham Valves, for 14 years on the west coast as manager of the northern Pacific district of that company, and he is now marketing manager of Stockham.

He has five children. He has a daughter graduating from Mountain Brook High School in Birmingham at 7 o'clock, so you have some idea of his level of concern about the problems which constitute the subject of his testimony, and concern which I share.

He is accompanied by Mr. Robert M. Vilsack, who will also speak. Mr. Vilsack is to speak first.

## STATEMENTS OF ROBERT M. VILSACK, WILLIAM F. WILCOX, AND RAYMOND H. GOODRIDGE, SECRETARY-TREASURER, ON BEHALF OF AMERICAN PIPE FITTINGS ASSOCIATION

Mr. VILSACK. Mr. Chairman and members of the committee:

I am Robert M. Vilsack, executive vice president of marketing, Taylor Forge Division, Gulf & Western Industries, of Bellwood, Ill. I am accompanied by William F. Wilcox, marketing manager, Stockham Valves & Fittings, Inc., of Birmingham, Ala.; and by Raymond H. Goodridge, secretary-treasurer, American Pipe Fittings Association of New York City. We appear here on behalf of the members of that association.

Our industry is being seriously affected by mounting imports. In my remarks I shall summarize the situation affecting forged steel flanges and welding fittings. Mr. Wilcox will then summarize the situation affecting malleable iron pipe fittings. Mr. Goodridge will assist with answers to questions as may be appropriate.

Mr. Chairman, foreign producers of steel welding fittings and flanges have taken more than 20 percent of the domestic market. Their competitive strength is based on wage costs which are only from one-third to one-fifth those paid in this country. It is augmented by the deep reductions in duty which have been made on steel welding fittings and flanges, from 45 percent to 14 percent, to be cut still further to 11 percent when the final stage of the Kennedy round cut goes into effect.

There are 15 domestic producers of forged steel flanges and welding fittings. Essentially these are small business enterprises, with total employment in 1967 estimated at 3,800 employees. In that year, the latest for which Government data are available, the domestic producers shipped 103,000 tons of forged steel flanges and welding fittings, valued at $91 million. Of these shipments, 13,000 tons were exported. Imports in 1967 were 36,000 tons, equivalent to 28.6 percent of domestic consumption.

These products are used primarily in industrial construction. Price is the decisive determinant in competition. Between 1967 and 1969 the value of total new industrial construction activity increased by 4 percent. Domestic consumption of forged steel flanges and welding fittings increased by a comparable amount, to roughly 131,000 tons.

In 1969, exports of these articles were 11,600 tons, down nearly 13 percent from the 1967 level. Imports totaled 28,000 tons, down 22 percent from 1967. Both imports and exports were seriously affected in 1969 by the 4-month dock strike which tied up the ports along the Atlantic seaboard and the Gulf of Mexico. Since Canada and Mexico are major export markets, being unaffected by the dock strike, our exports were less affected than our imports.

In any event, imports of forged flanges and welding fittings in 1969 were equivalent to 21 percent of domestic consumption. Domestic shipments, aided by the curtailment of imports resulting from the dock strike, rose to an estimated 114,600 tons, up 11 percent from the 1967 level. Employment, we estimate, rose to nearly 4,200 workers.

By January 1, 1970, three-fifths of the 42-percent cut in import duties made by the United States in the Kennedy round had become effective. Beginning in the second half of 1969, picking up severity in the fourth quarter of 1969, and becoming progressively worse in the first quarter of 1970, the construction industry was pushed into a severe recession by the anti-inflation program of the administration, particularly the tightening of credit. The value of total new construction activity declined during the 4 months—November through February—relative to the 1969 average.

Domestic consumption of forged steel flanges and welding fittings declined during the first quarter of 1970 to an estimated annual rate of 125,000 tons. Of this, imports in the first quarter were at the annual rate of 32,000 tons, equivalent to 26 percent of domestic consumption, up sharply from the 1969 level of 21 percent. This import penetration level is comparable to that which exists in footwear.

Exports were at the annual rate of 11,500 tons during the first quarter, virtually unchanged from the 1969 level. Total domestic shipments were at the estimated annual rate of 104,500 tons, down 9 percent from the 1969 level. As a result of the 14-percent increase in imports during the first quarter, at the annual rate, and the 9-percent decline in domestic shipments, employment in the domestic industry suffered, amounting to an estimated job loss of 400.

As the remaining stages of the Kennedy round tariff cuts take effect in 1971 and 1972, we expect increased pressure on prices from imported forged steel flanges and welding fittings. Between 1967 and 1969, the average unit value of imported flanges and fittings increased by 6.8 percent. Reductions in U.S. import duties during this period, however, were equivalent to 3.5 percentage points, so the net effect on the landed cost was an increase of only 3.3 percent, or an average of about 1.7 percent per year.

Then on January 1, 1970, an additional tariff cut of 1.5 percentage points was made, while there was no change in the average unit value of imports. The result is that as compared with 1967, the landed cost of the imported flanges and fittings in the first quarter of 1970 was only 1.8-percent higher. This is an average change of less than 1 percent per year.

By contrast, the average unit value of domestically produced flanges and fittings, as judged by U.S. export statistics, increased by 5.7 percent between 1967 and 1969, and then rose by an additional 1.4 percent during the first quarter of 1970, for a total change compared with 1967 of 7.2 percent.

On a note of material cost which is not in the statement, I wish to add a fact. Since we have had some conversation here, some witnesses on cost, the cost per pound of foreign-welded fittings and flanges has dropped from an average of 19.1 cents per pound or a decrease of 16 percent. These figures, incidentally, as you understand, are from commercial figures.

During the same period raw material costs of U.S. fittings manufacturers increased 9 percent. In addition, other costs have also risen significantly, such as labor, which increased 27 percent. Consequently, due to foreign competition, even though the U.S. manufacturers' costs have risen significantly, the price of domestic fittings and flanges during this period has fallen off 22 percent. We are getting 22 percent less for our domestically made fittings and flanges than we got in 1962.

We are at a break-even point. The wholesale price index of industrial commodities at the same time increased 12 percent.

While both imported and domestically produced flanges and fittings have experienced roughly the same degree of price inflation, the Kennedy round tariff cuts have offset the increases in the imported product, strengthening the competitive position of the foreign products in the domestic market, and increasing the market penetration relative to 1969.

Mr. Chairman, we realize that our industry is quite small in comparison with the textile and footwear industries which are the intended beneficiaries of your bill H.R. 16920. So, too, the size of our firms and of their manufacturing establishments would be judged to be "small business" in comparison with many firms in the textile and footwear industries. We believe, however, that public policy for the regulation

of imports should apply to small business and small industries as well as to corporate giants and the largest industries. Both need the help of sound policy for the prevention of market disruption and injury to their employees, communities, and plant investment caused by unregulated, rapidly increasing or high levels of imports.

All American business is subject to fluctuations in business conditions in this country. Imports are not responsible for the sharp downturn in the construction industry which so severely affects our business. The point, however, that lack of effective regulation of imports allows them to magnify their harmful effects on domestic employment in times of recession by not checking their volume in some manner proportioned to the down turn in the domestic market. Our experience in the first quarter of 1970 illustrates this point.

So we need public policy for import regulation which copes with this characteristic of the American market as well as with the especially sensitive position of small business firms and industries which have less flexibility in "rolling with the punches" of excessive import competion than large multiproduct industries. The extent of import penetration of the domestic market for forged steel flanges and welding fittings is as high as that in footwear, and considerably higher than that in textiles. The market disruption which is characteristic of such a high level of imports to domestic consumption as is evident in textiles and footwear is just as demonstrably present in our product line. We need the same imaginative consideration of our problem as they are receiving.

We well understand why the sponsors of H.R. 16920 and its related bills have singled out textiles and footwear for consideration. The loss of employment in textiles alone in the past 12 months is 10 times our total work force. But man for man, the workers in our industry who lose their jobs are just as seriously affected as those in the textile industry.

We know that you have not overlooked this fact. Title II of H.R. 16920 seeks to provide fair treatment for other industries, including the small ones such as ours, by attempting to reform the escape clause of the Trade Expansion Act. We endorse your amendments, but believe they do not go far enough. We believe that few industries will receive help under title II unless the findings of the Tariff Commission as to serious injury and the increase in tariffs or imposition of quotas required to remedy such injury are made self-executing rather than subject to the predictable exercise of discretion by the executive.

Please, therefore, amend title II of H.R. 16920 to provide that the Secretary of the Treasury will automatically place the findings of the Tariff Commission in escape clause cases into effect upon their publication by the Commission.

Mr. Chairman, I shall now yield to Mr. Wilcox.

## STATEMENT OF WILLIAM F. WILCOX

Mr. WILCOX. Mr. Chairman, this is the situation affecting malleable iron pipe fittings.

I am William F. Wilcox. My testimony pertains to malleable iron pipe fittings. Today there are 12 domestic producers. Since 1952 a total of ten domestic producers have gone out of business. The immediate

cause was the increase in imports stimulated by the 50 percent cut in duty on January 1, 1948.

Three of these firms were among the largest in the industry, each having been in business for more than 100 years. One of these just closed down its malleable iron pipe fitting operations in 1969, though it had the production efficiency made possible by a new modern plant and equipment.

These recent failures are attributable to the 51 percent cut in duty in the Kennedy round, coming on top of steadily mounting import penetration of the domestic market. The duty, once 45 percent, has been cut to 11 percent, and is no longer adequate to regulate the rate of increase in imports so as to prevent market disruption.

The manufacture of pipe fittings is a basic American industry, of obvious importance to the nation's defense capabilities. Pipe fittings are an indispensable ingredient of the Nation's total physical structure of homes, buildings and factories. The nation cannot in its own self-interest become totally dependent upon foreign sources for pipe fittings; yet this is precisely what is beginning to happen under the mounting import trend.

In 1961 imports of malleable iron pipe fittings were equivalent to 4 percent of domestic consumption. By 1965 this market penetration had increased to 6 percent. Under the stimulus of the Kennedy round tariff reductions, the ratio of imports to domestic consumption increased to 10 percent in 1968, to 11 percent in 1969 and during the first quarter of 1970 to 13 percent. This is the same degree of market penetration that exists in textile articles.

In contrast to the situation affecting forged steel flanges and welding fittings, in which the European Economic Community is the principal source of imports, malleable iron pipe fittings imported into the United States originate preponderantly in Japan. Throughout the period 1961 through 1969, 93 percent of total imports were of Japanese origin.

In malleable iron pipe fittings, therefore, the domestic industry is faced with the kind of competition which is harming other manufacturing industries: Japan's low-wage costs and export domination objectives have marked out the U.S. market as the special preserve of the Japanese manufacturers. Japanese manufacturing industries are assisted by their government in their program to expand their industry and increase their production by deepening their penetration of the U.S. market. Their low costs give them a strong weapon in carrying out this objective.

Also, the Japanese are seemingly unconcerned about any possibility that they would be seriously retarded in deepening their penetration of the U.S. market through the administration of the United States Antidumping Act. It is comparatively rare that any Japanese industry is called to account for dumping. When cases have been brought and the Japanese industries are found to be selling their goods for export to the United States below the Japanese home market price, the U.S. Treasury Department typically exonerates the Japanese by accepting written assurances from the offending manufacturers that they will discontinue the practice. This procedure amounts to a license to the Japanese to dump until caught and then gives them the assurance that there will be no penalties.

Understandably, with this kind of an "open sesame" accorded to them, Japanese industries, including the producers of malleable iron pipe fittings, press their advantage by boosting their exports to the United States as rapidly as possible. This accounts for the tripling of U.S. imports during the period 1961–69 and an increase of imports during the first quarter of 1970 over the comparable period of 1969 of 124 percent.

Pipe fittings are sold by the pound and stocked by distributors serving the construction trade. In recent years, Japanese manufacturers have produced malleable iron pipe fittings to the American standards so that their fittings are readily accepted for use by the U.S. construction industry. Over half the cost of American-produced malleable iron pipe fittings is represented by labor. The production methods in Japan and the United States are quite similar, with both industries using advanced production methods and machinery. The balance of advantage lies with the Japanese as a result solely of their low-wage costs. No increase in efficiency sufficient to overcome this advantage is available to the American producer.

I would digress a minute from the printed page and say that the lowest man in our factory in Birmingham, who sweeps floors, gets $2.40 an hour, not including fringe benefits. It is our understanding that the workers in Japan's malleable plants get 60 cents to 80 cents an hour, which includes their benefits.

In addition, the 75.5-percent reduction of U.S. tariffs, including the 51-percent cut agreed to by the United States in the Kennedy round, has continued to alter the balance of competitive advantage in favor of the Japanese. Regardless of improvements in U.S. productivity, the reduction in landed costs conferred upon the Japanese by U.S. trade negotiators has placed the American industry farther and farther behind in the competitive race.

To compound these disadvantages, the Treasury Department has exempted malleable iron pipe fittings from the marketing requirements of the Tariff Act so that should any American purchasers be interested in favoring American-made pipe fittings, they do not have the benefit of the identification of origin which is the basic policy of the customs laws to supply.

A similar situation exists in unfinished forged steel flanges and welding fittings as a result of an administrative action by the Bureau of Customs in December 1968, retracting an earlier ruling requiring such fittings and flanges to indicate the country of origin by die stamping in a location where the marketing would not be obliterated by the finishing processes.

Our industry is thus bedeviled from every quarter by actions of our Government which strengthen the competitive advantage of the Japanese industry in the sale of malleable iron pipe fittings in the U.S. market.

As Mr. Vilsack has pointed out, our industry needs help in the form of procedures for the effective regulation of imports in order to preserve a reasonable share of the American market for domestic production and employment. The type of provisions which have been incorporated in H.R. 16920 for textile articles and footwear would, of course, if applied to forged steel flanges and welding fittings, and to malleable iron pipe fittings, provide an equitable solution to our problem. It

would enable both the foreign and the domestic industry to share in the future growth of the American market on a basis which is reasonable for each.

I would insert one other point that is not in the printed statement. Also at stake here is the maintenance as part of our work force in our plant in Birmingham of the 70 percent of our production workers who are black. We need your help to maintain jobs for our black workers. This is also an important objective of the Government.

If your committee is not disposed to add specific quota provisions for other commodities to H.R. 16920, then it is essential that title II of that bill be strengthened so as to make the findings of the Tariff Commission as to serious injury and the amount of tariff or quota relief required to correct such injury binding on the executive branch. This can be done if the Commission's findings upon publication are automatically placed into effect by the Secretary of the Treasury through the Customs Service by collecting the increased duties or imposing the quantitative limitations found necessary by the Tariff Commission.

Mr. Chairman, this concludes our testimony. If you or other members of the committee have questions, we should be pleased to try to answer them, with the understanding that Mr. Goodridge, the Secretary-Treasurer of our trade association, may participate.

(The following attachments to the Association's statement were received by the committee:)

TABLE I.—U.S. IMPORTS, EXP ORTS, SHIPMENTS, AND DOMESTIC CONSUMPTION OF FORGED STEEL FLANGES AND WELDING FITTINGS, 1967–70

[Data in thousands of tons]

| | 1967 | 1969 | 1st quarter 1970 (annual rate) |
|---|---|---|---|
| Domestic shipments | 103.0 | [1] 114.6 | [1] 104.5 |
| Exports | 13.0 | 11.6 | [2] 11.5 |
| Imports | 36.0 | 38.0 | 32.0 |
| Domestic consumption | 126.0 | 131.0 | 125.6 |
| Ration of imports to domestic consumption (percent) | 28.6 | 21.4 | 25.0 |

[1] Estimated.
[2] Based upon January and February 1970.

Sources: U.S. Department of Commerce and APFA statistics.

TABLE II.—U.S. IMPORTS, EXPORTS, SHIPMENTS, AND DOMESTIC CONSUMPTION OF MALLEABLE IRON PIPE FITTINGS, 1961–70

| Year | Total domestic production | Export of domestic production | Domestic production shipped to domestic market | Imports into United States | Percent of previous year | Total domestic market | Percent imports to total domestic market |
|---|---|---|---|---|---|---|---|
| 1961 | 115,386,900 | 2,445,287 | 112,941,613 | 4,599,812 | 30.6 | 117,541,425 | 3.91 |
| 1962 | 121,362,500 | 2,383,887 | 118,978,613 | 6,650,326 | 144.6 | 125,628,939 | 5.29 |
| 1963 | 123,131,300 | 2,557,412 | 120,573,888 | 7,723,386 | 116.1 | 128,297,274 | 6.02 |
| 1964 | 124,981,200 | 2,942,470 | 122,038,830 | 5,511,930 | 71.4 | 127,550,660 | 4.32 |
| 1965 | 119,079,200 | 2,490,529 | 116,588,671 | 7,387,143 | 134.0 | 123,975,814 | 5.96 |
| 1966 | 119,564,100 | 2,916,060 | 116,648,040 | 7,109,231 | 96.2 | 123,757,271 | 5.74 |
| 1967 | 116,361,300 | 3,247,190 | 113,114,110 | 10,207,027 | 143.6 | 123,321,137 | 8.28 |
| 1968 | 105,682,400 | 2,879,267 | 102,803,133 | 11,411,770 | 111.8 | 114,214,903 | 9.99 |
| 1969 | 109,855,400 | 4,174,044 | 105,681,356 | 13,532,384 | 118.6 | 119,213,740 | 11.35 |
| 1970: | | | | | | | |
| January | 11,006,700 | 257,266 | 10,749,434 | 1,450,666 | 116.4 | 12,200,100 | 11.89 |
| February | 9,700,200 | 253,122 | 9,447,078 | 1,219,058 | 84.0 | 10,666,136 | 11.43 |
| March | 10,270,900 | 171,892 | 10,099,008 | 1,728,602 | 141.8 | 11,827,610 | 4.61 |

Source: U.S. Department of Commerce and APFA statistics.

Mr. GIBBONS. Mr. Schneebeli?

Mr. SCHNEEBELI. Did I understand you correctly to say that the return to your industry is 22 percent less now in price than it was in 1962?

Mr. VILSACK. That's right. Our selling price today is 22 percent less.

Mr. SCHNEEBELI. Absolute, less.

Mr. VILSACK. Yes, sir.

Mr. SCHNEEBELI. Is your industry similar to Mr. Wilcox's in cost factor?

Mr. VILSACK. Mr. Wilcox will have to answer that.

Mr. SCHNEEBELI. He stated that over 50 percent of the total cost is labor. Is that true in your industry, over 50 percent of your total cost would be labor?

Mr. VILSACK. Yes.

Mr. SCHNEEBELI. I don't see how in the last 8 years with the increasing labor cost, if they constitute over 50 percent of your total cost, how you could have had a 22 percent less return. I can't figure that out.

Labor costs are over 50 perecnt of the total cost of your product. You say that your return to your industry is 22 percent less. With the labor cost having practically doubled, I don't see how your industry price could be 22 percent less and still make a profit.

Mr. VILSACK. The drop in prices has erased our profits so, as I said, we are now at the breakeven point, wherein in 1962 we had a healthy profit. We have tried to meet this challenge by increasing our productivity.

Mr. SCHNEEBELI. You would have to increase production efficiency quite phenomenally.

Mr. VILSACK. We have a manufacturing plant in Ackerman, Miss., a brandnew plant, 3 years old, which cost us about 5 million. We are producing flanges there cheaper than any flange manufacturer in the United States. It is not still low enough to make us competitive with the importations.

Mr. SCHNEEBELI. It does raise a point how you could have 22 percent less income per unit and a doubling of the labor cost, which constitute over 50 percent of your total cost.

Mr. VILSACK. Productivity.

Mr. SCHNEEBELI. That is pretty hard to rationalize.

Mr. VILSACK. In Carnegie, Pa., we have a welded fitting plant which makes nothing but a limited range of welded fittings, 5 percent to 12 percent. In that particular plant to produce those fittings we are employing about half the men that we employed in that same production line by different methods.

It is more productivity.

Mr. SCHNEEBELI. Then your production unit cost, let us say labor, has gone up a hundred percent. You have 50 percent fewer workers Then your unit labor cost would be relatively the same as it was in 1962.

Mr. VILSACK. Material costs in that period have increased.

Mr. SCHNEEBELI. I am trying to help you out in your argument. Now you are beginning to lose me again.

If you would, check the figures as I have recited them to you and see whether I am wrong in my deductions. It seems pretty difficult to rationalize these figures you have given me into a justification of a 22 percent less return on unit price.

I don't question you, but it is hard to figure.

Mr. VILSACK. We are not making any money today either.

Mr. SCHNEEBELI. You must have been making a lot of money in 1962.

Mr. VILSACK. It was a profitable manufacturing operation up until about 1963 when imports started to come in.

Mr. SCHNEEBELI. If somewhere along this line of thinking I am wrong or in error, I would appreciate your putting it in the record.

Mr. VILSACK. Yes, sir.

Mr. BURKE. In other words, what you are saying is that you improved your production methods and this resulted in fewer employees?

Mr. VILSACK. Yes.

Mr. BURKE. And you saved there. Then your profits were cut down.

Mr. VILSACK. Absolutely.

Mr. BURKE. When you combine the two of them, it resulted in 22 percent less. That is possible. It is difficult, but it is possible.

You people would be in favor of an orderly marketing bill, I imagine?

Mr. VILSACK. I beg your pardon?

Mr. BURKE. You would favor legislation on an orderly market bill that would deal with all products such as your own?

Mr. VILSACK. Yes.

Mr. WILCOX. Did you say marketing?

Mr. BURKE. Marketing. We people from Boston speak funny. In other words, What I am trying to get from you is although you feel the textile and shoe bill does not really reach your problem, there are other bills before this committee and the orderly marketing bill that was filed by myself and the chairman and others you might be in favor of.

Would you look that bill over and send me a letter and see how you feel about it? That is all, Mr. Chairman.

Mr. GIBBONS. Thank you, gentlemen.

We have only allocated 5 minutes to Mr. Arthur Nelson, who is the president of Revere Stainless Steel Sink Corp. in New Bedford, Mass.

Since you are from Massachusetts and we have such a distinguished member on our committee, a tenacious member of our committee, as you have seen today, and that is the way he usually performs, we are going to give you a little more than 5 minutes, sir.

You have come all this way. We are anxious to hear you, so you may proceed.

## STATEMENT OF ARTHUR NELSON, PRESIDENT, REVERE STAINLESS STEEL SINK CORP., NEW BEDFORD, MASS.

Mr. NELSON. Mr. Chairman, I won't take 5 minutes. I just have a few remarks I would like to address to you and the committee.

I am Arthur Nelson, president of Revere Stainless Steel Sink Corp. of New Bedford, Mass. I am here today to testify on behalf of the stainless sink manufacturing industry and to ask congressional consideration of the Fallon bill, H.R. 17803.

Over the past few years we, a small business corporation, have found it increasingly difficult to market our stainless products which

consist in the main of stainless sinks for home use and for use in the mobile home and recreational vehicle industry. The main part of our difficulty stems from competition we are coping with created by the imports of Japanese fabricated stainless products. These are marketed today on a national basis by large Japanese trading companies and importers. In most instances these imported items are marketed at barely 20 percent above our raw material costs.

The resultant loss of business by American companies involved in manufacturing and marketing these stainless steel products have made it very difficult for this facet of American industry to continue operations. In this country there are approximately 20 manufacturers of stainless steel sink products of the type described here.

In the past 2 years one company in Massachusetts, one in Pennsylvania, two in North Carolina have dissolved their operations because of this type of competition. The so-called voluntary quota system on Japanese stainless steel raw imports has not been effective and has only helped to foster a plan of importing Japanese manufactured products which, ironically, enjoy a lesser tariff duty than Japanese raw material.

The result of this practice is inevitable. American manufacturers who have a reasonable amount of capital investment in equipment and employ American labor will be forced to disengage themselves from this part of the business manufacturing community. Should this be allowed to continue, it has to affect the economy of this country.

Mr. Chairman and gentlemen of the committee, I just had these brief statements to give you. I thank you for the opportunity you have extended to me to express my views with the hope that this testimony and previous testimonies will aid you in legislating a more compatible balance of this unfair competitive situation so that this part of the American business community can compete on a fair and equitable basis with foreign imports in the stainless industry.

That concludes my few remarks.

Mr. GIBBONS. Mr. Burke?

Mr. BURKE. How many people are employed in your firm?

Mr. NELSON. We have about 250 people.

Mr. BURKE. They are located down in New Bedford?

Mr. NELSON. Yes, we have a plant in New Bedford. We also have a plant in the West in California.

Mr. BURKE. New Bedford has been a city that has been hard hit during recession years. It is a city that really depends on industries like your own to establish an economic cushion for the community. Isn't that true?

Mr. NELSON. That is very true.

Mr. BURKE. When these small businesses are wiped out, it is going to be quite a problem for cities like New Bedford, Fall River, and Pawtucket and other cities down in that area to survive.

Mr. NELSON. We feel that small businesses such as ours are actually the core of industry today because normally they grow into larger companies. With the proper help they grow into larger companies and they can employ more people. We want to stay in New Bedford. It has been a kind town to us.

There is plenty of labor available in the area for us.

Mr. BURKE. I think it is important for any community to survive

to have diversified industries in there. With small companies like your own the economy of an area won't collapse entirely as it will if it is dependent on one industry. Your firm does make a sizable contribution toward the economy of New Bedford.

Mr. NELSON. We feel we do.

I was particularly interested in your remarks about the mill buildings in New Bedford. We occupy several of the mill buildings in New Bedford.

Mr. BURKE. They have been like ghost towns for years now.

Mr. NELSON. Just like statues.

Mr. BURKE. That is what I could not understand. This professor who testified, a nice fellow, I don't know how he can look at it in such a complacent way. It is amazing. I should think if I were down in Rhode Island, I would take him around Pawtucket, Fall River and New Bedford and some of those cities. It might teach an economist some things he never learned in school.

Mr. NELSON. It is grassroots investigation that is needed.

Mr. BURKE. Thank you.

Mr. SCHNEEBELI. Mr. Nelson, I think your presentation struck a sympathetic note among more than one committee member here on both sides of the aisle. It more or less retierates what our friend Congressman Burke is saying, that the concern about your industry over many of the increases that have appeared up to this point is very much in our thinking.

I think you have generated quite a sympathetic attitude.

Mr. GIBBONS. You said you could actually import the sink cheaper than you could import the raw material from Japan?

Mr. NELSON. The tariff duties on Japanese-imported raw material, depending on the nickel content, the average import duty is 12.3 percent. We can import today or you can import today into the United States a finished sink with a duty of 11.25 percent.

This is a way I feel that the Japanese imports—they do not care to sell us raw material any more. They can import their finished goods in large quantities without the restriction of a quota system, you might say.

Mr. GIBBONS. The sink can now come in without coming under the quota system, but the raw material would have to come under the quota system?

Mr. NELSON. That's right.

Mr. GIBBONS. You are caught in the same predicament that some of my manufacturers are caught in down in my area. We don't produce any steel in Florida, but we do fabricate some. Some of my manufacturers told me that they thought that the voluntary quota system that the Germans and the Japanese and our State Department had negoiated had really just given the Germans and the Japanese an opportunity to come in and take over markets that they had.

Mr. NELSON. This is right. This is the way I feel. It seems that it is a system that is tailormade for moving into the American marketplace with imports because the quota system has had so much publicity. I am sure that the quota system is adhered to, but by going through this importing of finished products you can get around the quota system more easily and put in more products.

Mr. GIBBSONS. My small fabricators tell me they can't get the big

integrated steel companies in the United States to sell them raw material at a cheap enough price so that they can compete against those integrated steel companies in fabricating products. Do you have that problem?

Mr. NELSON. We have the same problem. There is a market book price for stainless in the States which they do not deviate from, which does not put us in a competitive line with what we could buy possibly Japanese-imported metal or German-imported metal.

Mr. GIBBONS. I see the predicament you are caught in. Let us take a hypothetical illustration. I don't know whether U.S. Steel makes stainless steel sinks, but what would happen the way it has been described to me is that a U.S. steel company that was integrated could turn out the sink and, in effect, when they sold the product to themselves, the raw material to themselves, they sold it to themselves at a much lower cost than they were selling it to another fabricator such as yourself and that puts you at a very competitive disadvantage between two U.S. manufacturers, is that right?

Mr. NELSON. That is true. I have not found any evidence of an American steel company in the sink business, per se. For instance, the trading company or the company that is marketing the Japanese imports today has an affiliation with the steel company. So what you are saying or what you have talked about now is exactly what I feel is happening, only it is not happening in this country.

I think it is happening in other countries.

Mr. GIBBONS. Thank you, sir.

Mr. NELSON. Thank you.

Mr. GIBBONS. Mr. Henry Weiss, the president of Metal Masters, of Baltimore.

Mr. Weiss, you have been very patient. So come forward and take your place at the witness table.

## STATEMENT OF H. M. WEISS, PRESIDENT, METAL MASTERS OF BALTIMORE, MD.

Mr. WEISS. First of all, my name is H. M. Weiss. I am president of Metal Masters of Baltimore. I think at this time I am going to change the format of what has happened. First of all, the same as Mr. Nelson, I am only interested in two things, stainless steel sheet and stainless steel finished products.

I am going to give you the names of people, times, and places of violations of every law you have covering this and you as a committee can take it up from that point.

First of all, the Japanese company known as Sugiyama, makes no bones about it that they intend to make a finished product because their principal cannot sell above their quota of stainless steel into this country. And therefore they have started, and this is one of the companies that Mr. Nelson referred to, to go out and get the orders on this material and sell it, the finished product, for so little above the cost of the material that it is impossible for them to make money, too.

Now where does that leave us? They are now making sink bowls which I make. Than they have turned themselves over to basket drains. Then they have turned themselves over to other parts.

They just went out to Don Wells on the west coast and offered to

produce for them a part for less money than they are paying for the stainless steel alone in the United States.

They are going to dump into this country all this material. If we are covered by the antidumping laws, I don't know where. This is part of the overall picture that we are running into at the present time. We are a little manufacturer. We are not in the class with these other big people who were in here, doing hundreds of millions of dollars a year. Fortunately my company is a part of a large company, Alco Standard.

Now we get to another point: First of all, I have to explain to you that I recently had a stroke, therefore I can't take notes or make notes and I may be a little hesitant in delivering.

Mr. GIBBONS. You are doing fine.

Mr. WEISS. So, in order to protect ourselves and the stainless steel industry, and other people similar to Mr. Nelson, we introduced a bill in the House of Representatives known as 17803, which in this particular case raises the duty to 25 percent on stainless steel sheet, 50 percent on stainless steel products.

Now the question is: Why? We have through our studies learned that the Japanese are selling stainless steel coil on an unfair basis.

Now do you know the difference between coil and sheet? Coil is the part they make before they make the sheet. It is in a coil.

They stretch it, flatten it, level it, cut it, shear it. Coil has been sold for 42.6 cents a pound in Canada, which has the same import duty as the United States does. These same Japaneses have gone to work to undermine American industry. At one time we had in the United States, Rochester Iron and Metal Co., Mr. James Frankel, president, who was a large importer of Japanese sheet and coil.

They went in, the Japanese cartel and Myoto. You must understand that the Japanese cartel consists of five manufacturers of stainless steel. Myoto does not belong to the cartel, but they are also a major manufacturer of stainless steel. Those people were selling not only to Rochester, they were selling to everybody.

Toyamenka, who is one of the trading companies, the big ones, of Japan, set up Quality Stainless Steel Co. Quality Stainless Steel Co. is composed of the sales manager of Rochester Iron and Metal plus whoever he decided to hire away from these people in violation of everything that is good, bad or indifferent.

Rochester Iron and Metal sued Toyamenka for $3 million. It was getting ready to sue for $30 million when they settled the suit 2 weeks ago for $700,000 plus $100,000 legal fees.

I spoke to Mr. Jim Frankel. He refused to come down here. I said, "Suppose the House Ways and Means Committee asks you to come down." He said, "Then it is a different story." I asked him, "Will you tell your story?" He said, "If they ask me to."

I am going to exceed my time, but I will let it go at that. These are several little things that I have told you concerning this that you can use to suit yourselves.

(Mr. Weiss' prepared statement follows:)

PREPARED STATEMENT OF H. M. WEISS, PRESIDENT, METAL MASTERS OF BALTIMORE

Mr. Chairman, I am H. M. Weiss, President, Metal Masters of Baltimore, an Alco Standard Company, with home offices in Baltimore, Maryland. I appreciate this opportunity to address this committee on the subject of stainless steel products.

A great deal has been written and said about the steel import problem in relation to Japan, Europe, and Asia in recent months. There is a need for this difficult problem to be put into the larger prospective of our total trade relations with foreign countries. Perhaps then, the appropriateness of a legislative solution to the problem will be more clearly understood.

In steel commodities foreign dominance of U.S. foreign trade relation is so great that the mind boggles, in trying to grasp the full significance of the trade data. In iron and steel mill products, Japan accepts less than 1% of our exports of our iron and steel, but supply 42% of our imports. Her iron and steel mill products imported into the U.S. are equal to 10,650% of our exports of such products to Japan. Mr. Chairman, this is the largest imbalance of trade in any product category that we have with Japan.

I attribute this imbalance directly to the indecision of the House Ways and Means Committee, Mr. Wilbur Mills, Chairman.

For years now, the iron and steel manufacturers of America have been trying to contend with the tariff regulations concerning raw and finished products. We find there is a lower tariff on a saleable finished product, then there is on the raw material.

As an example, I quote a leading steel manufacturer: In that the company, in question, produces a stainless steel sink, which on a yearly blanket contract of 25,000 units, sells its product for $13.55, each. The same company has lost its trade agreement because Japan's exporters are marketing the same product for $7.50, each, when in reality, the book price of steel as a raw material used in the production, costs $6.10.

For many years, the production of steel products in the U.S. has exceeded that in any other country. During 1946 thru 1950 annual U.S. production of steel and steel products average about 83 million tons and represented half the estimated world output. The U.S. position in world production of raw steel during those years reflected the war damage to much of the foreign steel making capacity. As foreign producers rebuilt, expanded, and modernized their plants, steel production in many foreign countries increased at a faster rate than that of the U.S. and the U.S. share of world output declined to 41% in 1951–1955, 31% in 1956–1970, and 20% in 1961–1965.

By 1968, the deflict in steel was one of the most significant, negative items on the U.S. trade balance for the year. During that year, we imported a total of 18,461,515 tons, while exporting only 2,499,146 tons. A trade imbalance of 15,962,369 tons. Representing a deflict dollar value of $1,441,609,000. If this present rate of imbalance continues, an increase of steel imports to 23 million tons by 1971 is not unlikely, if current trends continue unchecked.

It is my opinion that this severe imbalance of trade relations is producing a disasterous effect upon not only steel, but the very economy of the nation.

To quote Mr. Thurmond, Congressional Record, Tuesday, May 12, 1970, #5, Volume 116. "The Japanese industries are closing our products substantially out of the Japanese market while they enjoy full access to the American market."

Furthermore, in the major six classes of commodities, the U.S. had a balance of trade deflict in 1969 of 3.3 billion dollars and 2.4 billion of that amount, was directly involved with Japan. In other words, this constitutes 72% of our 3.3 billion dollar deflict, with Japan alone, not to mention Europe and Asia, where the same type of trade imbalance is taking place.

I am under the opinion that the magnitude of the damage inflicted upon our commerce by the Japanese practice, is so enormous, that our government can not and should not delay much longer in protecting our legitimate national interests.

The extremely modest steps whcih we have taken in asking not only Japan, but the other foreign competitors to negotiate an overall limitation and rate of increase, is small in comparison with the magnitude of the wrong inflicted upon us by foreign importers.

I am afraid, Mr. Chairman, that we have come to a point in our trade relations with foreign importers, that they have grown accustomed to our extreme consideration and forebearances of their protectionistic policies, and practices that they will definitely not negotiate a fair and equitable trade balance between the U.S. and their own manufacturers.

The lesson to be learned from this review of U.S. trade relations, is that the U.S. has become increasingly disadvantaged, not only in steel and steel products, but in all commodities, as a result of wide spread systematic violations of our nations rights under our voluntary trade agreements with foreign powers. We

could have retaliated long ago to redress the wrong committed by foreign importers in restricting access for uncontrolled imports, but we have been delaying legal action to the point of absurdity.

Long ago, we could have imposed counter measures, to discourage the flight of American enterprise into minority interest foreign ventures for the substitution for foreign steel products in place of our own.

Therefore, Congress must act in a manner proportion to the necessities of our problem and the reality of our trade relation with foreign countries.

Our own company, Metal Masters of Baltimore, Inc., Eagle Sink Division, a subsidiary of Alco Standard Co., is not a corporation large enough to equitably contend with international steel competition. Our sinks and other stainless steel products are sold within the continental U.S., in direct competition with Japan and Canada.

However, we find that in 1969 we were able to buy stainless steel coil from Japan at a rate of 38.5¢ per lb., but by 1970 the same steel rose to 54¢ per lb., while Canada is able to purchase this same material for only 42.6¢ per lb., delivered.

Because the stainless steel coil leaves Japan plus freight and duty at only 36¢ per lb., it gives any foreign manufacturer an unfair advantage not only in the purchase of the steel, but a selling price much lower that the U.S. manufacturers can fairly compete with.

The Fallon Bill, HR 17803, is an appropriate instrument for congressional consideration, if and if only if, it is not delayed by the committee of the House and the Senate.

I petition the Congress for immediate action which will be accomplished if an honest and equitable floor action, be instituted immediately to shape its final language to serve in the best interest in the U.S. economy and steel industry.

Mr. GIBBONS. We thank you, Mr. Weiss. It is very interesting. I hate to cut you off, but it is getting late.

Mr. SCHNEEBELI. May I suggest, Mr. Chairman, that if Mr. Weiss has some additional detail or data he would like to supply for the record, that we entertain the inclusion of it. It seems to me that these specific instances might be developed.

Mr. GIBBONS. Yes, sir, if you have anything you want to put in the record, you send it on over to us.

Mr. WEISS. I will send it over to you.

(The following was received by the committee:)

EXTENSIONS OF REMARKS MADE BY H. M. WEISS, PRESIDENT, METAL MASTERS OF BALTIMORE

There has been a dramatic revival of the war-devastated economies, a revival which we helped. Japan is a most remarkable example of this recovery. Japan now has the second largest gross national product in the world, second only to the U.S. The Japanese expect in five years to be producing more steel than the U.S. In fact, a merger of two Japanese steel companies which became effective March 31, 1970, resulted in the creation of a new Number Two steel producer in the world, (Nippon Steel Corporation) right behind United States Steel. I say that it is not only a remarkable recovery, but it is a remarkable rejuvenation. Germany also has enjoyed a similar recovery and rejuvenation.

Also the economies of the world's nations have changed. There is no free enterprise competition. National economies are now managed economies. They are managed in different degrees but they are managed, and each has its own devices for its own advantage. One advantage, for example, is the barring of imports. The Japanese do it to the greatest extent, including the establishment of more than 100 quotas.

The Japanese have established an import quota system on raw steel which effectively prohibits American steel exports from entering Japan. To quote the vice-president of the Industrial Union Department, AFL–CIO, Joseph Molony, "We could offer to sell our steel in Japan at $1 a ton and give green stamps to boot, but they still wouldn't let us in." As a result, they are making the finished product out of raw material in Japan, and dumping on the American market at a price considerably lower than the small American steel manufacturer can reasonably compete with.

This kind of one-way street situation is obviously intolerable and we ought

to appeal for its immediate correction. There can be exceptions to such a demand for equal treatment, as in the case of developing countries, but certainly not in the case of highly industrialized countries. In short, what we want is a fair shake.

Other ways in which the rules are set to work against the U.S. include the erection of non-tariff barriers against U.S. products, tax concessions granted foreign subsidiaries of American companies, and lower foreign labor standards.

The non-tariff barriers that confront American steel producers include border taxes, import licensing, quotas, surcharges in addition to tariff rates, national preference laws and foreign exchange controls. I think our goal should be that it shouldn't cost any more and shouldn't be any more difficult to ship a given product to any country and offer it for sale there than for that country to ship the same product to the U.S. and offer it for sale here.

The Japanese when confronted on this very subject by the Canadians, say with a smile on their face, that we in the U.S. do not have any anti-dumping laws that we can use, and they are right. We have, without a doubt, the worst set of laws on duties, tariffs, and penalties, in the world.

We have no effective method of checking the amount of steel brought into the U.S. under our existing system of import-export procedures. It would take several years to find out what is really being imported into the U.S. because of the numerous products imported, and the looseness of our system.

I believe we can take the position that no American industry and no American steel worker should be regarded as expendable, and that the pursuit of the international trade dollar should not be without conscience nor regard to consequence.

The international trade position of the 70's will differ greatly from those in the past. Therefore, a change in U.S. trade policy is needed. While there is no longer any free trade we can at least demand fair trade.

For years now, the small stainless steel fabricators of America have been trying to contend with the tariff regulations concerning raw and finished products. We find there is a lower tariff on a saleable finished product than there is on the raw material. Which in itself is our chief concern.

We, therefore, petition this congress for immediate action on bill H.R. 17,803 which is presently pending before the House Ways and Means Committee. We feel that an honest Congressional floor action could be inacted this year in order to protect our interests in stainless steel, and if it should become necessary to make amendments to this bill, at least they can be made at a later date while we will be immediately protected by H.R. 17,803.

I would like to take this opportunity to thank you once again for your time and consideration concerning this bill and respectfully hope that you can arrive at a fair and equitable disposition.

Mr. GIBBONS. Thank you, sir, and thank you for being so patient today.

(The following statements were received for the record:)

WEST COAST METAL IMPORTERS ASSOCIATION, INC.,
*Los Angeles, Calif., June 10, 1970.*

Hon. WILBUR D. MILLS,
*Chairman, Ways and Means Committee,*
*U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This statement is submitted in connection with the hearings on pending trade legislation announced by the Chairman on May 4, 1970. Our Association represents approximately 100 firms and individuals engaged in metal importing activities in California, Oregon and Washington.

The purpose of our organization is to promote the use of imported ferrous and non-ferrous metal products; to seek uniformity and certainty in the standards and specifications of these products and in the Customs treatment of them; to assist governmental agencies and private users in obtaining information on the characteristics and uses of such products; and to encourage the healthy development of international trade and commerce, with specific reference to those products in which our members deal. Much of the steel our members import originates in Japan; a good amount comes from Europe.

In our last presentation to this Committee in June of 1968, we said that your decision on the foreign trade position of the United States could lead into an era of positive domsetic and international economic development, or could bring us to

the brink of an international trade war. Today, even more, we believe that this is the nature of the choice before you.

We believe that your approval of H.R. 14870, essentially in its present form, will point the country in the progressive direction of domestic and international economic development. At the same time, we very much fear that special legislation to establish quotas for the two industries, textiles and shoes, could lead to similar legislation for the benefit of more industries, and that legislation of this nature will lead to harmful and certainly acrimonious retaliation.

We wish to make it clear that we recognize that imports of some product lines, in special situations, may create competitive problems for particular workers, firms or industries. Ways to avert the most damaging consequences of imports must be found and must be available on a workable basis. These consequencies must be serious, however, in the sense that they are more than the expected knocks of a give-and-take competitive economy. Otherwise, we believe that special restrictions on imports, such as higher tariffs or quotas, should be considered only after careful investigation by an appropriate agency of the United States government, unilaterally, and with an awareness that our trading partners may claim compensation under the rules of the GATT.

The proposed amendments to the present escape clause and adjustment assistance provisions of the Trade Expansion Act of 1962, which appear in the administration's bill should be very effective in making available assistance and, when the case warrants it, protection to affected workers, firms or industries. It is especially appropriate to introduce different standards of causality for industries on the one hand, and for firms and workers on the other. Before raising tariffs or, more drastically, imposing quotas, however, there should be an evident causal connection between the volume of imports and serious, proven injury, and we believe the word "primary" in H.R. 14870 will do just that.

At the same time, we do not believe that the requirements of a link between tariff concessions and an increase in imports should terminated, since this link seems to be clearly required under Article XIX of the GATT. We believe that a provision requiring an increase in imports resulting "in whole or in part" from tariff concessions would allow sufficient flexibility and yet meet the requirements of the GATT.

Except under extreme circumstances, quotas serve the interests of neither industries or consumers. More than tariffs, quotas severely limit the consumer's freedom to choose products by type and price range. This is true for consumers at retail—the housewife shopping for children's coats and overshoes—and is equally true for consumers at the level of manufacturing or assembly—the builder looking for nails or the manufacturer looking for parts. The simple freedom to choose among many products at many prices is, to us, as important to a healthy economy as the achieving of maximum efficiencies or the most effective allocation of economic resources. To the extent that quotas interrupt the flow of merchandise into a market, freedom of choice is restricted. And this is true whether the limits on imports are imposed unilaterally by legislation or voluntary restraints, or bilaterally through negotiations.

In an economy with strong inflationary trends, such as our own, the detrimental effects of quotas would seem to be obvious. Reduced supplies of competitive foreign products encourage price increases in the protected industry. We have seen this happen in the steel market where prices have increased over 8 percent since the announcement of voluntary controls overseas. A number of policy considerations may have made these increases a reasonable price to pay. Usually, however, we doubt that higher prices resulting from a limitation in supply are worth paying, except after the most careful study and analysis by an appropriate agency of government, and after due consideration b the President himself. This is the way the escape clause would operate under H.R. 14870, as we understand it.

For many years, fears have been expressed that increased world steelmaking capacity would result in a glut in steel markets. Such fears are even expressed today, although trends in steel marketing during the last few months show how mistaken this forecast was. Steel has been in short supply throughout the western world.

According to data released by the American Iron and Steel Institute, steel shipments from American mills in the first quarter of 1970 were 24,334,000 net tons, a healthy 8 percent increase over the 22,330,000 net tons shipped in the first quarter of 1969. Imports on the other hand, have declined from earlier levels, almost matching exports. In the first quarter of 1970 exports were 2,043,357 net tons and imports 2,336,971 net tons.

In a recent speech, Charles B. Baker, Secretary General of the International Iron and Steel Institute, and formerly an executive of U.S. Steel Corp. predicted that the scarcity of steel would continue "for quite a long time into the future." Mr. Baker estimated that at the end of this decade as much as 30 to 35 percent of the steel consumed in this country would originate from foreign producing facilities, a substantial proportion of which will be owned by United States companies. Mr. Baker also foresaw steady full production as a conscious management policy of United States mills, with a keen interest in exporting production not consumed domestically. This in turn would mean that the policy of laying off workers in periods of slack demand would be replaced by a policy of full and steady employment.

We believe that the voluntary restraints on steel imports have pointed up the entirely negative effects of protectionism. American importers and their customers (mainly small, independent businessmen) have suffered shortages, delays and financial loss. Meanwhile, domestic steel prices have risen alarmingly.

For the American consumer as well as the nation's economy, the cost of protecting the American steel industry has been extremely high. We ask that this Committee consider very carefully the pitfalls, both domestic and international, of import quota legislation.

On behalf of all of our members we wish to thank the Committee for the opportunity to submit our views to you.

Respectfully submitted.

WERNER F. CHILTON, *President.*

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LEVA, HAWES, SYMINGTON, MARTIN & OPPENHEIMER,
*Washington, D.C., June 26, 1969.*

Hon. WILBUR D. MILLS,
*Chairman, House Ways and Means Committee,*
*Washington, D.C.*

Re Hearings on Trade Bill: Reasonable Import Quota for Ferroalloy Products.

DEAR MR. CHAIRMAN: On behalf of the Committee of Producers of Ferroalloys and Related Products, I am submitting the enclosed Statement, with the request that the very serious, import-induced conditions facing these domestic producers be considered by you and your Committee in connection with the current hearings.

The producers feel strongly that the only way to maintain this defense-essential industry in a healthy condition is through a reasonable import quota system, which would permit both domestic producers and importers to share equitably in the expanding U.S. market. One way to accomplish this would be for your Committee to recommend passage of one of the ferroalloy quota bills already introduced, H.R. 95 by Congressman Anderson of Tennessee, or H.R. 2860 by Congressman Hays of Ohio, with any appropriate revisions. Another way would be to include these ferroalloy products in H.R. 16920. (In this connection, it is worth noting that imports of most of the basic ferroalloy products range from 20% to 47.5% of the U.S. available market—whereas we understand the comparable percentage for man-made fibers and products is in the range of 8%–10%).

As perhaps you know, our Committee of Producers of Ferroalloys and Related Products filed a petition for import relief with the OEP under Section 232 of the Trade Expansion Act in May 1968; although that petition is still pending the producers have been given to understand that there is little hope for favorable action on it. It seems clear that the only realistic recourse to assure a healthy domestic ferroalloy industry for national defense is import quota legislation.

We hope very much that your Committee will give favorable consideration to this serious problem.

Respectfully,

LLOYD SYMINGTON,
*Counsel, Committee of Producers*
*of Ferroalloys and Related Products.*

Enclosures.

STATEMENT OF COMMITTEE ON PRODUCERS OF FERROALLOYS AND RELATED PRODUCTS

SUMMARY

The domestic producers of ferroalloys and related products (represented by the above Committee) have been seriously concerned for the past several years over the adverse effects of imports upon this industry. They believe that the Congress should be equally concerned. Briefly, the basic facts are these:

The ferroalloy industry is *essential to national security*, as found by the Office of Emergency Preparedness (OEP) in 1964. (See section (2) below.)

*Increasing imports.*—Ferroalloy imports have skyrocketed over the past few years, both in volume and in their share of the available U.S. market. For most of the basic ferroalloy products, this share has reached levels ranging from 20% to 47.5%. (See Exhibits A–1, A–2, A–3.)

*Domestic Prices.*—To stay competitive with low-cost imports, most domestic prices have been forced down to uneconomic levels, averaging 30% or more below 1960 price levels. (See Exhibit B.)

*Profits.*—Domestic industry profits are at inadequate levels and declining—a meager 3.0% of sales in 1969 for the major portion of the industry. (See Exhibit C.)

*Production capacity and employment* have been relatively static despite substantial increases in domestic demands.

*Prospects for the future* are even more unfavorable: most producers cannot justify further capital investments for necessary *research and growth.*

*Lavino plant shut-down.*—An important producer, Lavino, had to shut down its domestic ferromanganese production in 1969, thus continuing a trend of closings begun in the early 1960's.

This process of attrition must be stopped to avoid a serious threat to our national security. Essentially, what is needed is reasonable assurance to these producers that they can stay viable in the future—a future which is now too speculative to justify the producers making the capital expenditures needed to improve their deteriorating competitive position. The current unfavorable trends can be reversed only by affirmative governmental action to establish reasonable quotas on ferroalloy imports.

To that end, these producers filed a petition for import relief with the OEP under Section 232 of the Trade Expansion Act (the so-called "national security provision") in May 1968; that petition is still pending, but hope for favorable action is fading. The producers feel, therefore, that their only realistic resource is for this Committee to recommend passage of a bill establishing an import quota system, on a reasonable percentage-of-consumption basis, which would permit both domestic producers and importers to share equitably in the expanding U.S. market.

In the view of the domestic producers, such a quota system for ferroalloys could best be implemented by the addition of an appropriate provision in H.R. 16920, which has been introduced by Chairman Mills to establish import quotas for textile articles and articles of leather footwear. (In this connection, it should be noted that, whereas we understand that imports of man-made fibers and products are some 8%–10% of domestic consumption, the comparable percentages for most of the basic ferroalloy products range from 20% to 47.5%).

On the other hand, if the Committee should prefer separate legislation for ferroalloys, the domestic producers would urge the passage of a bill along the lines of ferroalloys quota bills which have already been introduced by Congressmen Anderson of Tennessee (H.R. 95) and Hays of Ohio (H.R. 2860); a similar bill has been introduced in the Senate by Senator Baker.

Whatever legislative route is finally selected, the domestic producers feel that 1967–68, while not as representative as other periods for certain ferroalloy products, would be an appropriate base period for calculating import quota percentages.

STATEMENT

*(1) Ferroalloy Producers and Products*

The Committee of Producers of Ferroalloys and Related Products comprises virtually all of the major producers of these products. Its members include American Potash & Chemical Corporation, Chromium Mining & Smelting Corp., Foote Mineral Company, Interlake Steel Corp. (Globe Metallurgical Division), Ohio Ferro-Alloys Corp., and Union Carbide Corporation (Ferroalloy Division).

The products in question can be divided into three broad categories: ferromanganese, ferrochrome, and silicon ferroalloys. These are further subdivided into low-, medium-, and high-carbon ferromanganese, silicomanganese, and manganese metal; low- and high-carbon ferrochrome, ferrochrome silicon, and chromium metal; ferrosilicon, and silicon metal.

Manganese is indispensable—particularly in times of national emergency—in the production of steel, aluminum, welding and rod coating, welding fluxes and certain chemicals. It is needed to prevent tearing or cracking during hot-rolling

and forging, and may be used also to impart such properties as strength, toughness, and hardness to structural, engineering and military steels. Every ton of steel produced requires an average of almost fourteen pounds of manganese.

Similarly, chromium is an essential industrial commodity. It is used as an alloying element for a long list of important ferrous and non-ferrous alloys, including super-alloys for major space age applications, high-temperature and super-strnegth steels, aluminum and copper-based alloys, etc. Stainless steels, for example, contain between 18% and 25% chromium.

The metallic element silicon is used to deoxidize molten steel and to develop desirable physical and electrical properties when employed as an alloying element. Silicon metal is used in approximately 85–90% of all aluminum alloy castings produced in this country. The silicon range in these castings is in the order of 6–12%. Approximately 1,460 million pounds of aluminum were alloyed with silicon in 1968. Silicon is also a raw material for the production of silicones utilized in the production of high-temperature lubricants, rubber, varnish, and a variety of other special-purpose products.

(2) *Essentially of the Ferroalloys Industry to National Security.*

In 1964, the then Office of Emergency Planning (OEP) found "that the ferroalloy industry is an essential part of our mobilization base." [1] This is because conventional and stainless steels, sophisticated alloys, and many forms of aluminum and other non-ferrous products cannot be produced without one or more of the ferroalloy products in quetsion. And in wartime, these ferroalloy products are in greatly increased demand.

Even in this nuclear age, heavy steel weaponry is by no means outmoded and a proper mobilization base must include ferroalloy products needed for guns, ships, tanks, planes and other items of conventional warfare. Indeed, the Defense Department is currently signifying its interest in this regard by designating certain ferroalloy plants as part of the Industrial Defense Program.

On the other hand, our current space, missile, and rocketry programs make clear that there will be substantial future need for the types of sophisticated metals whose production requires ferroalloys.

Without a healthy domestic ferroalloy industry, there is a serious question whether the national security needs for these products could be met in any future emergency. (See sections (4), (5) below).

(3) *Deteriorating Conditions in the industry*

The domestic ferroalloy producers have made substantial efforts to improve their competitive position, spending some $5,000,000 in recent years to improve and modernize their facilities. Despite these efforts, however, low-cost imports have continued to mount, exerting increasing downward pressure on domestic prices, and capturing virtually the entire U.S. market expansion that has taken place. Specific aspects of the deteriorating conditions in the domestic ferroalloys industry are summarized below.

(a) *Increasing Imports*

Imports of manganese ferroalloys have increased by almost 150% since 1964, and their share of the U.S. market has more than doubled (from 18.2% to 40.2%); imports of chromium ferroalloys have gone up 2½ times. By 1969, imports of three of the largest volume ferroalloy products had captured alarming percentages of the United States available market, as follows:

High-carbon ferromanganese: 47.5% of U.S. noncaptive market.[2]
Medium- and low-carbon ferromanganese: 34% of total U.S. market.
Low-carbon ferrochromium: 32.5% of total U.S. market.
(See Exhibits A–1, A–2, A–3.)

Significantly, the bulk of these ferroalloy imports come from foreign facilities which in great measure were built in the interest of supplying our U.S. national

[1] The ferroalloy industry has filed two petitions for import relief with the OEP: the first in 1963, was denied on the basis of economic conditions then prevailing, but with the door left open if these conditions should deteriorate. The second petition was filed in 1968 and is still pending. (See section (6) below).

[2] A significant portion of the domestic market for this product is pre-empted by the two major steel producers who produce their own requirements in blast furnaces. On a contained manganese basis, their usage of this "captive" ferromanganese represents some 31.5% of the U.S. manganese consumption. In a time of national emergency, however, these facilities could not be relied upon for ferromanganese production, since they would be required for pig iron or hot metal production—thus increasing the emergency demands on non-captive facilities operated by the ferroalloy producers.

stockpile requirements during the 1950–1961 period. By 1963, however, the Government had ceased its stockpile purchases—resulting, predictability, in substantially increased imports for the commercial market. In other words, with the foreign producers having expanded their ferroalloy capabilities far beyond their own domestic requirements—thanks largely to U.S. Government encouragement—they came inevitably to look upon the U.S. market place as a dumping ground for their excess capacities.[3]

The resulting damage to the domestic ferroalloys industry is illustrated graphically by the following comparisons: In 1961, U.S. Government imports of ferromanganese products were 183 million pounds as against 186 million pounds imported commercially; by 1963, there were no Government imports and commercial imports had risen to 266 million pounds. Similarly, U.S. Government imports of chromium products in 1961 totaled 60 million pounds as against 17 million pounds imported commercially; by 1963, with no Government imports, commercial imports had jumped to 41.6 million pounds.

It thus appears that, because of a U.S. stockpiling program which helped build them up, foreign producers now are capable—in addition to supplying their own needs—of supplying our entire domestic market for high-carbon ferromanganese, and substantial portions of the domestic requirements of other ferroalloy products.

It might be noted that a relatively small portion of total ferroalloy imports has been represented by imports by U.S. producers, but they have not been a significant factor in the continuing upward trend of ferroalloy imports as a whole. (See Exhibit A–4). In most cases imports by U.S. producers consist of modest quantities of special alloys or particular ferroalloy items which are used to supplement their own lines.

During 1966 and 1967 a few of these producers found it necessary to import relatively large quantities of certain ferroalloy products to maintain their position in the U.S. market on account of strikes at some of their domestic plants. As a result, imports for those years are higher than they ordinarily would have been, and present a somewhat distorted picture of the import problem. Without this unusual bulge in U.S. producer-imports caused by the strikes, 1967 imports would have been higher than in 1966 (rather than seeming to turn temporarily downward); and the basically upward trend of imports which is so disturbing to the U.S. producers, would have been even more obvious than is shown by the total import figures.

(b) *Depressed Domestic Price Levels*

Overseas producers have a significant cost advantage over domestic ferroalloy makers in several areas—especially their cheaper labor rates, and lower unit costs resulting from capacity or near-capacity operations.[4] And many of these imports are coming increasingly from countries such as South Africa and India, where costs are very low. Even in the more developed ferroalloy exporting countries such as Japan and West Germany, labor rates are considerably lower than in the United States. Since labor costs for ferroalloy products average approximately 24% of total plant cost, this is a significant advantage for foreign producers.

Moreover, the declared value of ferroalloy imports has declined steadily for most items from 1960 through 1969. As a result, domestic prices have been forced down to seriously depressed levels—dropping by an average of 30% or more from 1960 through 1969. (See Exhibit B).

To be able to stay even remotely competitive, the domestic producers have made substantial reductions in their own ferroalloy prices. Even so, however, there remain price differentials between many domestic and imported alloys of from $15 to $25 per ton.[5] It is thus clear that domestic producers in most cases cannot

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[3] In some cases, indeed, foreign producing countries subsidize their ferroalloy exports. For example, in 1968 the Indian Government granted a cash subsidy, amounting to some 20%, to producers exporting standard ferromanganese. The adverse effect on the U.S. market is obvious.

[4] Also, for chromium ferroalloys, foreign producers have a special cost advantage in being able to purchase their chrome ore from Rhodesia. Because of the U.S. Government ban on such purchases, domestic producers must now buy their ore from the Soviet Union at an increased cost of approximately 55%.

[5] This price differential will probably grow wider as the tariff reductions of the Kennedy Round becomes effective. The already low American duty rates on ferroalloys will be reduced even further, while European rates will stay about the same since the European Economic Community (EEC) granted far less substantial concessions. Indeed, the EEC placed ferroalloys on its "exceptions" list during the Kennedy Round negotiations—thus clearly showing the EEC countries' governmental policy to protect their domestic ferroalloy industries from further import competition.

sell at the current prices of the imported products and maintain anything approaching a reasonable margin of profit.

*Adverse effects of disposal of surplus ferrochrome products.* The GSA recently announced plans to dispose of substantial quantities of chromite from government stockpiles, including 218,636 short tons of low carbon ferrochrome. Disposal of such a large quantity in the domestic market (more than two years' supply) would completely demoralize the market unless carried out over a period of years; even a 15-year disposal period, as discussed by GSA with the producers, will create market difficulties.

These market dislocations will obviously be intensified if imports continue to be unrestrained. This immiment surplus disposal program thus presents a further reason for a prompt limitation on imports of these products such as proposed herein.

(c) *Declining Profitability*

The invasion of low-cost foreign ferroalloys, together with the depressed domestic price levels, have had a predictably drastic effect upon the earnings and future prospects of the domestic producers.

The average profitability, after taxes, of the domestic producers has declined from a high of about 7.7% of sales in 1965 to an estimated 3.0% in 1969 for the major part of the industry—which is not an acceptable return. (See Exhibit C attached). Several individual producers actually suffered losses on their ferroalloy production during one or more of the past 8 years.

This serious decline in earnings has been due in large part to increasing costs of wages, related services, and supplies—along with the uneconomic prices which, as shown above, the domestic industry must charge to compete with lower-priced imports.

These profit levels are dangerously low in view of the return needed to encourage further capital investments for innovation, research, modernization, new furnaces, and the like. They are also low in comparison with the profitability of comparable industries.

The most disturbing factor to the ferroalloys producers is the unfavorable trend, the steady decline in profits since 1965.[6] This trend, projected into the future, is a major deterrent to capital expenditures that the industry would otherwise wish to schedule for normal health and growth. (See Section (3) (e) below.)

(d) *Domestic Production and Employment*

Domestic shipments of ferroalloys are not keeping pace with the demands of the expanding U.S. market. As an example, the U.S. available market for manganese ferroalloys has grown by about 52%—*i.e.*, increasing from 862 million pounds of non-captive consumption in 1960 to 1,314 million pounds in 1969, or an absolute increase of 452 million pounds. During the same period, imports increased by about 409 million pounds (from 119 million to 528 million pounds). Thus, despite a substantially expanding market since 1960, domestic ferromanganese producers enjoyed only a negligible share of this expansion.

An additional factor is the rising tide of steel imports, which naturally contain foreign-produced ferroalloys. This development obviously lessens selling opportunities for U.S. producers.

Concurrently, since 1960, employment in the various segments of the domestic industry has had little or no growth—in sharp contrast to conditions in related industries such as steel, automobiles and agricultural equipment. With imports taking larger and larger shares of the U.S. available market for various ferroalloy products, the result is a net "loss" of U.S. workers. In effect, jobs that normally would have been provided by domestic industry have been and are being exported.

(e) *Discouraging Growth Climate and Prospects for Future*

For the past several years, as shown above, important segments of the domestic ferroalloys industry have not kept pace with the tremendous expansion of the U.S. market. Imports have been increasing and profits declining, despite substantial efforts and expenditures by the U.S. producers to modernize facilities and otherwise improve their competitive position.

As a result, these producers face the future with increasing uncertainty. In

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[6] While the current profit levels are still somewhat higher than in 1960 and 1962–1964 it should be recognized that ferroalloy profits during that earlier period were at virtually disaster levels; and that the more acceptable returns of the past few years are steadily declining towards those levels.

particular, the adverse trends inhibit commitments of the funds necessary to support research, new technology, and similar development programs needed in the years ahead to keep this industry dynamic and competitive.

For example, a pro forma operating and revenue statement for a new, modern, standard ferromanganese furnace, starting from scratch, would show an investment totaling about $18,000,000 on which the expected return after taxes would be only about 1.2 percent. (See Exhibit D, attached). Few, if any producers are able to justify such an investment under present market conditions.

Domestic producers are also confronted with increased capital expenditures for environmental control. Ferroalloy furnaces usually cannot be successfully enclosed; expensive measures must be taken to remove or control the emissions which they generate in order to comply with increasingly strict governmental standards of acceptable air quality. These costs, when added to the capital costs of the facilities themselves, further reduce returns on investment.

The U.S. ferroalloys producers are thus in a serious dilemma. On the one hand, if they do not add new capacity or continue their modernization programs, the snow-balling effect of their declining participation in the U.S. ferroalloy market will be accentuated in favor of imports. On the other hand, they are finding it ever more difficult to justify the further capital investments needed to remain viable and competitive. In most cases, the producers will have no practical economic choice under present conditions but to operate present furnaces until they are obsolete—at which point the country will have become largely dependent upon foreign sources for its ferroalloy needs.

(f) *Lavino's Decision to Cease Ferromanganese Production*

In the early 1960's, a number of domestic ferroalloy plants were unable to remain competitive in the face of increasing low-price imports, and had to shut down. History is now starting to repeat itself.

Last year Lavino (the Lavino Division of International Minerals & Chemical Co.) closed down its ferromanganese production. This decision was dictated by "continuing shrinkage of the available U.S. ferromanganese market caused by the high levels of imports . . ." (See Exhibit E, attached). As a result, some 20% of the U.S. non-captive capacity for high-carbon ferromanganese is no longer available.[7]

This decision by Lavino is the predictable result of the increasing pressure of low-cost ferromanganese imports on domestic prices and profits. During the past few years, the average value of most ferroalloy imports has shown a distinctly declining trend. Even though prices have since become somewhat firmer, the only realistic alternative for domestic producers under such conditions is to keep their own prices at unreasonably low levels at the expense of adequate profitability—or, as Lavino did, to close down their domestic production.

(*4*) *Need for Health Domestic Industry in Emergency*

In wartime emergencies where access to foreign supplies is likely to be greatly reduced, or even cut off, the increased needs for ferroalloys for steel and other vital defense items can be met from only two sources—government stockpiles, and from what remaining segments of the domestic industry might still be in existence.

The present adverse import trends, however, if not checked, will make it more and more difficult for domestic producers to maintain viable operations for many ferroalloy products. The vital question then is whether, if the United States does not maintain a healthy domestic industry of some minimum proportions, the stockpiles and non-domestic sources of these products will be sufficient in times of emergency for national security purposes.

(*5*) *Stockpile No Substitute for Healthy Domestic Industry*

Any reliance on large government stockpiles of ferroalloys and ores would have to assume the continuing existence of a viable domestic industry that can "expand" its capacity within a relatively short period before the stockpiles are exhausted. It has already been shown how the adverse economic trends affecting major segments of the domestic industry today, and particularly for the future, do not justify such an assumption. Lavino's recent decision to close down its ferromanganese production facilities bears this out.

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[7] While two new producers have recently entered the ferro-alloy industry in its silicon ferroalloy segment—which is at the moment far less affected by imports, relatively, than are the ferromanganese and ferrochrome segments. (See Exhibit A–3).

To be sure, the present government stocks of ferroalloys serve to reduce the mobilization base (domestic industry capacity) considered to be needed at the beginning of any emergency. But in most cases these ferrolloys represent less than a 1-year supply under conditions of increased wartime demand, assuming imports were cut off. Consequently, for a continuing emergency these stockpiles should not be considered as taking the place of a healthy industry in being.

In this connection, it should be noted that the 3-year stockpile of *ores* obviously does not met the problem, since these ores must first be processed into the various ferroalloy products before they can be used. In other words, the value of the ore stockpile in time of emergency is obviously dependent upon a viable domestic industry with the capacity to convert it into alloys before exhaustion of the ferroalloy stockpiles. Unfortunately, however, the existence of a large stockpile of ores has been used by some as a kind of smokescreen to disguise the real nature of the problem as it relates to the need for a minimum domestic industry in the interest of our national security.

(6) *Producers' Inability To Obtain Relief Under Existing Legislation*

The domestic ferroalloy industry has not been remiss in seeking to obtain relief under existing legislation. The Committee of Producers of Ferroalloys and Related Products is seeking legislative relief now, before this Committee, only after apparently exhausting all other possible remedies.

When in the late 1950's and early 1960's the domestic ferroalloys industry began to experience severe reversals, as the U.S. commercial market was invaded by increasing quantities of low-cost ferroalloy products produced in modern foreign facilities, active attention was given to examining the various forms of relief available under existing trade legislation. The most appropriate remedy seemed to be under Section 232 of the Trade Expansion Act of 1962—the so-called National Security provision. This provision had, at that time, been only recently amended by Congress with the specific objective of strengthening it. The consensus of opinion, as shown by the legislative history of the 1958 amendment, was that investigations undertaken by the Office of Emergency Preparedness (then the Office of Emergency Planning), the agency charged with investigating complaints under the National Security provision, had not sufficiently accomplished the purpose intended by Congress—namely, to keep imports from hurting domestic industries important to the national defense (see S. Rep. 1838, U.S. Code Cong. and Admin. News, pp. 3614, 3620 (1958)). Accordingly, in May 1963, the industry asked the OEP for relief from imports under Section 232 of the Trade Expansion Act of 1962.

On July 17, 1964, the OEP denied this application on the ground that there was not at that time a sufficient impairment of national security. While this decision seemed to discount the significance of the economic problems facing the industry, it did contain several important statements germane to the industry's current plight. In particular, the OEP Director acknowledged the defense essentiality of the ferroalloys industry. In addition, he recognized:

> "That the industry is facing serious economic adjustments and problems; and that there is a fluidity in the *economic and import situation* which, while not presently anticipated could be resolved *so adversely as to require further review* under Section 232 of the Trade Expansion Act. Both the Government and the industry should continue to watch present trends and potential developments regarding ferroalloys." (p. 23) (Emphasis added.)

Following the 1964 OEP decision, the "economic and import situation" continued to deteriorate seriously. In view of OEP's language that in such event further review would be required, the Committee of Producers of Ferroalloys and Related Products filed another petition under Section 232 in May of 1968. No relief has been forthcoming to date, and all indications are that this second petition will also be rejected.

The domestic ferroalloys producers have, at various times, also filed dumping complaints against foreign producers under the Antidumping Act (19 USC §§ 160 *et seq.*). In 1961, for example, Foote Mineral Company filed a dumping complaint with respect to manganese metal imported from Japan. After stripping the Japanese home market price of the various legally allowable administrative expenses and increasing the export price to account for quantity discounts, the Treasury Department made a determination that there had been no dumping. Another dumping case was initiated by the domestic producers in 1964 against certain foreign producers of low carbon ferrochroms. After several of the foreign

producers promised to raise their prices, this complaint was dismissed by Treasury on a finding that any dumping which may have existed had stopped.

In July of 1968 the Committee of Producers of Ferroalloys and Related Products requested Treasury to investigate standard ferromaganese imports from India with a view to imposing a countervailing duty under the countervailing duty provision of the Tariff Act of 1930 (19 USC § 1303). Evidence was submitted of a substantial Indian government subsidy program. As of this date, Treasury has taken no action.

The Committee of Producers of Ferroalloys and Related Products has had its legal counsel investigate the feasibility of seeking escape clause relief or adjustment assistance under the appropriate provisions of the Trade Expansion Act of 1962. Since these measures are tied into tariff reductions and provide relief only in the form of increased tariffs, however, they are of little value to the domestic ferroalloys producers. Ferroalloy duties are now so low that they would have be be raised to unrealistically high levels in order to bring prices of imports up to the levels necessary to overcome the injury to domestic producers. In addition, it would be practically impossible for the domestic producers to show that their injury was a result of a prior tariff reduction, since even before the Kennedy Round they were unable to meet the prices of the foreign ferroalloy imports.

(7) *Need for Import Quotas*

Major segments of the domestic ferroalloys industry already are facing serious economic problems which, under present trends and indications can only get worse. And if other segments are still somewhat better off, that is only because the pattern of increasing imports is more recent in their cases. As shown above, the only way to prevent further weakening and deterioration of this industry now appears to be firm action by the Government to control imports in the form of import quotas. An increase in duty rates would not be effective for this purpose, and would be inconsistent with our government's present trade policy. But an import quota system, on a reasonable percentage-of-consumption basis, would permit both domestic producers and importers to share equitably in the expanding U.S. market.

Of particular importance is the fact, noted above, that profits of the domestic producers are at such low levels—and trending even lower for the future—that further capital expenditures of any significance cannot be justified without at least temporary help from a reasonable restriction on imports. Only import quotas can provide the "breathing space" needed by the domestic industry to build up adequate capital for research and modernization. This is imperative if the industry is to be able to compete effectively with low-cost imports—which are increasingly reflecting the latest technology overseas—and also to preserve an adequate mobilization base.

Specifically, the domestic producers urge that imports of each ferroalloy product be limited each year, in respect to estimated U.S. consumption, to the following average annual percentages of domestic consumption which such imports accounted for during the base period, 1967–1968. (See exhibits A–1, A–2, A–3).

High-carbon ferromanganese: 41.1% of available (non-captive) market.
Medium- and low-carbon ferromanganese: 20.9% of total domestic market.
Silicomanganese: 23.9% of total domestic market.
Electrolytic manganese: 12.5% of total domestic market.
High-carbon ferrochrome: 6.5% of total domestic market.
Low-carbon ferrochrome: 35.5% of total domestic market.
Chromium metal: % (to be determined).
8–60% silicon ferroalloys: 4.5% of total domestic market.
60–80% silicon ferroalloys: 9.8% of total domestic market.

The domestic producers believe that such a quota system for ferroalloys could best be implemented by the addition of an appropriate provision to H.R. 16920, which has been introduced by Chairman Mills to establish import quotas for textile articles and articles of leather footwear.

On the other hand, if the Committee should prefer separate legislation for ferroalloys, the domestic producers would urge the passage of a bill along the lines of ferroalloys quota bills which have already been introduced by Congressmen Anderson of Tennessee (H.R. 95) and Hays of Ohio (H.R. 2860).

Whatever legislative route is finally selected, the domestic producers feel that the years 1967–1968, while not as representative as other periods for certain

ferroalloy products, would be an appropriate base period for calculating the import quota percentages.

CONCLUSION

The maintenance of a healthy domestic ferroalloys industry is essential to our national security. But, as a result of mounting imports, the economic health of many segments of this industry is deteriorating seriously, and the prospects of the entire industry are equally discouraging for the future. This process of attrition is clearly contrary to the interests of this industry and to our national security interests. It can be stopped only by affirmative governmental action to control its cause—the increasing flood of imports—by reasonable import quotas.

EXHIBIT A-1

FERRO MANGANESE PRODUCTS—U.S. CONSUMPTION (NONCAPTIVE) VS. IMPORTS FOR CONSUMPTION, 1964-69

[In thousands of pounds cont. Mn)

| | 1969[1] | 1968[1] | 1967 | 1966 | 1965 | 1964 |
|---|---|---|---|---|---|---|
| High-carbon ferromanganese: | | | | | | |
| Total U.S. consumption (non-captive) | 865,000 | 714,000 | 681,000 | 788,000 | 812,000 | 790,000 |
| Imports for consumption | 411,500 | 282,608 | 290,467 | 328,000 | 288,000 | 184,000 |
| Percent imports | 47.5 | 39.6 | 42.7 | 41.6 | 35.4 | 23.3 |
| Silicomanganese: | | | | | | |
| Total U.S. consumption | 198,000 | 198,000 | 200,000 | 225,000 | 254,000 | 230,000 |
| Imports for consumption | 42,300 | 33,770 | 61,687 | 46,400 | 22,000 | 13,800 |
| Percent imports | 21.3 | 17.0 | 30.8 | 20.4 | 8.7 | 6.0 |
| Med. and L.C. ferromanganese: | | | | | | |
| Total U.S. consumption | 207,000 | 175,000 | 208,000 | 172,000 | 143,000 | 135,000 |
| Imports for consumption | 71,200 | 35,511 | 44,627 | 37,600 | 43,000 | 19,400 |
| Percent imports | 34.3 | 20.3 | 21.5 | 21.9 | 30.0 | 14.4 |
| Electrolytic manganese: | | | | | | |
| Total U.S. consumption | 44,000 | 42,076 | 45,100 | 48,400 | 51,200 | 50,700 |
| Imports for consumption | 2,742 | 6,367 | 4,474 | 4,030 | 2,760 | 1,760 |
| Percent imports | 6.2 | 15.1 | 9.9 | 8.3 | 5.4 | 3.5 |
| Total (above products): | | | | | | |
| Total U.S. consumption | 1,314,000 | 1,129,076 | 1,134,000 | 1,233,400 | 1,260,200 | 1,205,700 |
| Imports for consumption | 527,742 | 358,256 | 401,255 | 416,000 | 355,800 | 219,000 |
| Percent imports | 40.2 | 31.7 | 35.4 | 32.7 | 26.1 | 18.2 |

[1] Total U.S. consumption figures for 1968 and 1969 are estimates.

EXHIBIT A-2.—FERROCHROME PRODUCTS

TOTAL U.S. CONSUMPTION VERSUS U.S. IMPORTS FOR CONSUMPTION, 1964-69

[In thousands of pounds cont. Cr]

| | 1969[1] | 1968[1] | 1967 | 1966 | 1965 | 1964 |
|---|---|---|---|---|---|---|
| High carbon ferrochrome: | | | | | | |
| Total U.S. consumption | 186,000 | 163,000 | 179,000 | 186,300 | 175,400 | 164,600 |
| Imports for consumption | 21,500 | 10,459 | 11,580 | 31,200 | 7,960 | 9,110 |
| Percent imports | 11.6 | 6.5 | 6.4 | 17.0 | 4.0 | 5.5 |
| Low carbon ferrochrome: | | | | | | |
| Total U.S. consumption | 197,000 | 192,500 | 200,000 | 235,000 | 225,000 | 206,200 |
| Imports for consumption | 64,000 | 71,560 | 68,500 | 103,000 | 68,000 | 26,200 |
| Percent imports | 32.5 | 36.7 | 34.3 | 42.8 | 30.0 | 12.7 |
| Chromium metal: | | | | | | |
| Total U.S. consumption | (2) | (2) | (2) | (2) | (2) | (2) |
| Imports for consumption | 3,000 | 2,570 | 4,140 | 4,980 | 2,024 | 1,465 |
| Percent imports | | | | | | |
| Total chromium: | | | | | | |
| Total U.S. consumption[3] | 476,000 | 408,500 | 409,000 | 488,800 | 461,300 | 435,300 |
| Imports for consumption | 91,350 | 87,134 | 84,200 | 139,000 | 78,900 | 36,800 |
| Percent imports | 19.2 | 21.4 | 20.6 | 28.5 | 17.1 | 8.5 |

[1] 1968 and 1969 consumption: estimates based on figures from Bureau of Mines.
[2] Not available.
[3] Includes ferrochrome silicon.

EXHIBIT A-3—SILICON FERROALLOYS, TOTAL U.S. CONSUMPTION VS. IMPORTS FOR CONSUMPTION, 1964-69

[In thousands of pounds of alloy]

| | 1969 [1] | 1968 [1] | 1967 | 1966 | 1965 | 1964 |
|---|---|---|---|---|---|---|
| 8-60 percent silicon: | | | | | | |
| Total U.S. consumption | 800,000 | 731,954 | 648,958 | 640,000 | 720,086 | 716,958 |
| Imports for consumption | 39,282 | 32,666 | 29,130 | 35,752 | 28,056 | 3,541 |
| Percent of imports | 4.9 | 4.5 | 4.5 | 5.6 | 3.9 | .5 |
| 60-80 percent silicon: | | | | | | |
| Total U.S. consumption | 215,000 | 253,106 | 225,498 | 206,600 | 232,950 | 282,562 |
| Imports for consumption | 27,724 | 14,450 | 31,174 | 24,290 | 4,804 | 2,082 |
| Percent of imports | 7.8 | 5.7 | 13.8 | 11.8 | 2.1 | .9 |
| 80-90 percent silicon: [2] | | | | | | |
| Total U.S. consum ption | 32,000 | 74,605 | 45,758 | 40,400 | 50,326 | 32,702 |
| Imports for consumption | 128 | 674 | 370 | 668 | 442 | ---------- |
| Percent of imports | .3 | .9 | .8 | 1.7 | .9 | ---------- |
| 90 percent or over: [2] | | | | | | |
| Total U.S. consumption | ---------- | 1,280 | 1,246 | 1,000 | 1,048 | 3,256 |
| Imports for consumption | ---------- | 24 | ---------- | ---------- | ---------- | ---------- |
| Percent of imports | ---------- | 1.9 | ---------- | ---------- | ---------- | ---------- |
| Silicon metal: | | | | | | |
| Total U.S. consumption | 195,000 | 183,922 | 171,406 | 152,000 | 154,356 | 143,180 |
| Imports for consumption | 60 | 74 | 186 | 3,160 | ---------- | ---------- |
| Percent of imports | ---------- | ---------- | .1 | 2.1 | ---------- | ---------- |

[1] Total consumption for 1968 and 1969. estimated.
[2] "80-90 percent silicon" and "90 percent or over" for 1969, combined into single category.

Source: U.S. Department of Interior and U.S. Department of Commerce.

EXHIBIT A-4—IMPORTS OF FERROALLOYS BY U.S. PRODUCERS VS. TOTAL IMPORTS

[In thousands of dollars]

| | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 |
|---|---|---|---|---|---|---|
| Manganese ferroalloys | 1,563 | 1,952 | 9,265 | 6,386 | [1] 167 | ([2]) |
| Chromium ferroalloys | 2,576 | 6,098 | 11,822 | 2,326 | [1] 2,491 | ([2]) |
| Silicon ferroalloys | 0 | 0 | 2,142 | 1,411 | [1] 0 | ([2]) |
| Total imports by U.S. producers | 4,139 | 8,050 | 23,229 | 10,123 | [3] 3,000 | ([2]) |
| Total ferroalloy imports [4] | 23,341 | 43,914 | 63,427 | 51,087 | 44,874 | 54,183 |
| Net imports (excluding U.S. producer imports) | 19,202 | 35,864 | 40,198 | 40,964 | 41,874 | ([2]) |

[1] 6 months.
[2] Not available.
[3] Estimate.
[4] Bureau of Census, U.S. Department of Commerce.

Note: U.S. producer-imports compiled from import figures submitted in confidence by member producers who accounted for virtually all imports by U.S. producers during the 1964-68 period.

EXHIBIT B—DOMESTIC PRICES OF MANGANESE ALLOYS [1]

| Year | H.C. FeMn [2] | SiMn [2] | Med. C.[2] FeMn | Elec. Mn |
|---|---|---|---|---|
| 1960 | 15.2 | 17.8 | 23.5 | 35.3 |
| 1961 | 15.1 | 17.0 | 23.3 | 35.0 |
| 1962 | 13.1 | 15.5 | 22.6 | 33.7 |
| 1963 | 11.9 | 12.8 | 18.4 | 32.3 |
| 1964 | 11.6 | 11.4 | 17.1 | 30.1 |
| 1965 | 12.1 | 12.4 | 17.0 | 31.0 |
| 1966 | 11.5 | 12.7 | 16.7 | 31.2 |
| 1967 | 10.8 | 12.6 | 16.5 | 30.3 |
| 1968 | 9.4 | 8.1 | 17.0 | 26.6 |
| 1969 [3] | 10.9 | 9.5 | 17.8 | 27.4 |

[1] Source: "American Metals Market" and Steel magazine.
[2] Cents per pound manganese.
[3] "American Metals Market," Dec. 18, 1969.

DOMESTIC PRICES OF CHROMIUM ALLOYS [1] (CONTAINED CHROMIUM)

| Year | Cents per pound | | |
|---|---|---|---|
| | High FeCr (charge chrome) | 40–43 percent FeCrSi | L.C. FeCr |
| 1960 | 22.2 | 17.75 | 34.4 |
| 1961 | 20.7 | 16.20 | 32.4 |
| 1962 | 19.75 | 12.10 | 32.3 |
| 1963 | 15.8 | 11.10 | 24.2 |
| 1964 | 14.4 | 11.80 | 22.0 |
| 1965 | 16.3 | 12.0 | 25.5 |
| 1966 | 16.1 | 12.0 | 25.2 |
| 1967 | 16.0 | 12.5 | 24.5 |
| 1968 | 16.0 | 12.5 | 25.1 |
| 1969 [2] | 18.0 | 14.4 | 27.6 |

[1] Source: "American Metals Market", and Steel magazine.
[2] "American Metals Market", Dec. 18, 1969.

EXHIBIT C

FERROALLOYS AND RELATED PRODUCTS INDUSTRY SALES AND PROFITS, 1960–69 [1]

| | Total sales (thousands) | Net profits after taxes (thousands) | Average percent profits to sales |
|---|---|---|---|
| 1960 | $217,406 | $5,370 | 2.5 |
| 1961 | 227,920 | 8,528 | 3.7 |
| 1962 | 231,467 | 2,599 | 1.1 |
| 1963 | 231,711 | 3,068 | 1.3 |
| 1964 | 291,047 | 7,407 | 2.5 |
| 1965 | 326,932 | 25,313 | 7.7 |
| 1966 | 347,047 | 22,772 | 6.6 |
| 1967 | 297,804 | 14,933 | 5.0 |
| 1968 (estimate) | 318,327 | 14,995 | 4.7 |
| 1969 (estimate) | 298,418 | 9,232 | 3.0 |

[1] 1960–68: Based on sales and net profits (or losses) of all ferroalloys and related products submitted in confidence to counsel for the committee by the 7 major ferroalloy producers. The 1969 figures represent such sales and net profits of 5 producers comprising over 80 percent of the industry (such figures not being available from 2 producers for that year).

Note: The foregoing net profit figures for the industry as a whole include, in some cases, losses by individual companies. Some of the sales figures include barter transactions by 1 producer.

*Exhibit D.—Pro forma operating and revenue statement for new standard ferromanganese facility (82,000 net ton capacity) (1968)*

| | *Millions per year* |
|---|---|
| Fixed capital | $12,166 |
| Working capital: cash, accounts receivable, inventory | 5,780 |
| Total investment | 17,946 |
| Net income from sales (82,000 net tons at $142.76, U.S. domestic market price) | 11,706 |
| Cost of goods shipped (with contract power at 5 mills kilowatt-hour) | 8,520 |
| Distribution | 708 |
| Gross margin | 2,478 |
| Overhead | 784 |
| Operating income | 1,694 |
| Depreciation | 676 |
| Interest (at 6½ percent × average investment) | 583 |
| Pretax income | 435 |
| Income taxes at 50 percent | 217 |
| Return on investment, income | 218 |
| Percent return on investment | 1.2 |

### Lavino Out of Ferromanganese

Lavino Div. of International Minerals & Chemical is preparing to cease ferromanganese production in late April. However, the company will continue to ship from large inventories remaining at the plant after the blast furnace is shut down. The decision to stop production results from the continuing shrinkage of the available U.S. ferromanganese market caused by the high levels of imports of ferroalloys and the high levels of imports of foreign steels, the company said.

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### Statement of International Molders and Allied Workers Union, Presented by Carl Studenroth, Vice President

Our Union, the International Molders and Allied Workers, has been and is the primary labor organization in the cast iron soil pipe industry. Therefore, we are vitally interested in the effects which imports may have on employment in this industry.

We do not propose to discuss the general impact of imports upon employment but we will confine our remarks to the cast iron soil pipe industry with which we are closely associated. This Committee is giving serious consideration to the subject of foreign trade and we welcome the opportunity of sharing some observations with you.

The current employment record is only fair in the cast iron soil pipe industry and there is every reason to believe that employment could be better were it not for the high level of imports in recent years. One is hard pressed in attempting to to analyze what the future holds, both in terms of potential growth of cast iron soil pipe production and employment because of the effects of imports and the shift in demand as witnessed by the decided decrease in the number of housing starts of late.

As you know, the economy is now in a state of decline and unemployment in this industry is a dangerous problem at present. One needs only take note of a foundry in the southern part of the United States—which is the largest single plant in the cast iron soil pipe industry—to see the fluctuations. Short work weeks have become the pattern as the decline in housing starts has accelerated. The slip in the national economy has had a devastating effect on the industry, for housing starts and construction in general have an immediate impact.

We believe that the machinery used to investigate the adverse effect which imports can and do cause should be improved. The focus should be on the comparative labor standards of the workers here and abroad. Any legislation regarding dumping, as a good example, should provide for a comprehensive study of labor standards in those countries which are competing with the American worker.

We are not so naive as to believe that wages in the cast iron soil pipe industry should be equalized between countries. However, we feel that workers in a nation which is in direct competition with workers in the United States should be earning wages reasonably related to the level of their productivity. This is necessary if they are to compete with our productive workers. In competing with the workers in a nation with the highest living standards, they should be adequately compensated—and if they are not adequately compensated, they are being exploited.

It is not enough to view wages, alone, as they represent only one portion of the workers' conditions of employment. To cite an example in our own industry—as in mining—silicosis has long been a problem. But through the efforts of unions, management and legislation we have not only decreased the incidence of silicosis but have also humanized the work place. We cannot allow these great strides to be undermined by workers in nations who do not have the benefit of similar protection. And it is the American worker who is being undermined when laborers in foreign countries are exploited not only in terms of wages but also in terms of health and years of life. We cannot condone practices in other nations which bring us products at the cost of human misery.

One of the basic tenets of classical economics regarding international trade is that international trade is supposed to increase and improve the welfare of all concerned. We cannot see how competition with a nation employing slave labor can fail to undermine the wages and fringe benefits of free American citizens. This hardly represents an increase or improvement in the welfare of American workers.

Should this type of competition continue, much of the work that has been accomplished in our Great Society programs can be voided.

Many of the jobs in this industry are of the unskilled and semi-skilled variety, with a high percentage of workers from the underprivileged minority—groups—primarily Negroes—employed. The percentage of our members employed in this industry who are Negro approaches 60 percent. This should be close to the percentage in the entire industry and therefore many Negroes would be the first to feel the adverse effect of the importation of cast iron soil pipe should it begin to cause unemployment.

We must do all that we can to provide gainful employment for all workers, including those who historically have been discriminated against. Therefore, we view with great concern the tremendous increase in imports which could very likely cause severe hardship among much of our membership in the future.

With the foregoing in mind, we believe that a good approach to the problem of international fair labor standards has been proposed by the International Metalworkers Federation. This proposal provides a clear and workable basis from which international fair labor standards can evolve. The proposal is as follows:

"(a) Member states undertake an obligation to achieve and maintain full and productive employment and eliminate unfair labour conditions, which substantially disrupt international trade. Governments must be called on to recognize the freedom of association of workers and employers, as also the right of collective bargaining thereby recognized, as vital prerequisites for Fair Labour Standards:

"(b) A right of complaint is created, which lays down the approach whereby employer and labor organizations in a Member state, through their government, could raise individual cases of market disruption and their social effects, due to exports from some other Member. Existence of either of the following conditions should be deemed to provide a basis for action, under the complaint procedures:

"i. total hourly labour costs in the exporting firm substantially below the average for its industry in the exporting country: or

"ii. both hourly and unit labour costs in the exporting firm unjustifiably below those of the same industry in the complaining country.

"For these purposes, labour costs should include all forms of employer payments of or on behalf of employees, whether in the form of direct wages, contractual fringe benefits, or social charges required by legislation.

"(c) all Member states of GATT undertake to file an annual report on their own development of wages and working conditions in those industries in which tariff concessions have been granted by other countries or in which increased export trade has resulted in market disruption in an importing nation or nations. Annually such reports should be reviewed at the regular session of the GATT:"

The International Metalworkers Federation proposal serves to protect not only industries, but also individual employers and the employees of different firms. Under this plan, of course, it is not necessary for an entire industry to be injured before relief can be sought. It also takes into account the situation whereby a particular firm within an industry has a particular advantage, not only in its home nation, but extends this advantage to other nations. This proposal should provide incentive to increase the welfare of workers in all nations so that they might compete on a relatively equal basis in all the market places.

When complaints are justified, the normal remedies for dumping should be effectuated by the complainant country. Since an individual firm or employees of the firm, through their labor organization, have the right of complaint, perhaps machinery such as that incorporated in the adjustment assistance provision of the U.S.-Canadian Auto Agreement would be feasible. In general terms, this approach applies to free nations, where access to information is readily available. However, nations whose economic systems do not rely on the same value standards as ours are generally closed economies and information is not readily available.

If and when information is not available and the right of inspection is not granted, then the result of the country's refusal to cooperate should result in an automatic finding in favor of the complaining party or parties.

In summary, then we favor and support:

1. International Fair Labor Standards.
2. Injury determination based on the individual firm or group of employees rather than on a broad industry basis.
3. Speedy investigation of complaints and wherever countries refuse to cooperate, especially those who closed economies, then findings should be in favor of the complaining party.

STATEMENT OF PAUL CARLSON, BEAVER FALLS, PA., ON BEHALF OF THE WELDED STEEL TUBE INSTITUTE—THE IMPORT PROBLEM AND HOW IT RELATES TO THE PRODUCERS AND MARKETS OF STEEL SPECIALTY TUBULAR PRODUCTS

According to U.S. Department of Commerce statistics, pipe and tubing make up about 11.5% of the total shipments of all mill forms of steel. Specialty tubing, in turn, accounts for roughly 15% of total shipments of steel tubular products. Specialty tubing, therefore, makes up about 1 to 2% of the total shipments of all domestic steel productions.

Specialty tubing, by definition, is either seamless or welded, carbon, alloy or stainless steel tubular products made to meet special requirements for pressure or mechanical application.

Specialty tubing can be produced—

—in any one of several hundred grades of steel

—in thousands of combinations of diameters and wall thicknesses

—in any one of a number of different surface conditions

—by any one of a combination of finishing operations

—in any one of many different heat treated conditions to achieve desired mechanical, physical and metallurgical characteristics to meet various end use service conditions. These can involve high temperature strength, low temperature strength, corrosion resistance, oxidation resistance, abrasion resistance, hardness, toughness, and resistance to fatigue failure.

Since 1964 there has been a rapid increase in the imports of a number of the types of tubing making up the family of steel specialty tubing. Four of the family have been gravely hurt, a fifth appears to be reaching that condition, and a sixth one is showing signs of injury.

The loss of business caused by imports of these six types of specialty tubing—if stated simply in tons or dollars—could be classified as insignificant compared with total imports of all the mill forms of steel. If the imports of these six types of specialty tubing, however, are related to domestic production of their individual types, and then related to the critical or important nature of the markets served, and then one considers the possible consequences if imports of these products continue to grow—well, I'm sure that you will agree that the problem warrants consideration.

The primary markets for the four most seriously effected of the family of specialty tubing are common—power generation type boilers, industrial boilers, marine boilers, heating boilers, and the refining, petro chemical and chemical parts of the process industries. The products are:

1. *Seamless stainless and heat resisting tubing and pipe*—total domestic production about 16 to 18 thousand tons per year—imports, 1969, about 8000 tons—imports equivalent to 45 to 50% of domestic production.

2. *Seamless alloy pressure tubing and pipe*—total domestic production about 52 thousand tons per year—imports, 1969, about 14,000 tons—imports equivalent to 27% of domestic production.

3. *Seamless carbon steel pressure tubing*—total domestic production about 100,000 tons per year—imports not measurable under current TSUSA annotations—imports, 1969, based on market knowledge estimated for boiler tubing alone as equivalent to 25/30% of domestic production.

4. *Welded carbon steel pressure tubing*—total domestic production about 100,000 tons per year—imports not measurable under current TSUSA annotations—imports, 1969, based on market knowledge estimated for boiler tubing alone as equivalent to 30 to 40% of domestic production.

The fifth member of the family fast reaching the point of being hurt serves the process industries—oil refining, petro chemical, chemical, and food—as heat exchanger tubing and corrosion resistant piping. *Welded stainless steel tubing and pipe*—total domestic production 48,000 tons per year—imports, 1969, over 5,000 tons, doubled between 1968 and 1969 and about 80% from one country—imports now equivalent to over 10% of domestic production.

The sixth member of the family showing signs of injury serves the metalworking industry as a starting stock for ball and roller bearings. *Seamless alloy steel bearing tubing*—total domestic production about 225 to 250 thousand tons—imports, 1969, about 15,700 tons compared with 3000 tons in 1964. With the market also being hurt by increasing imports of finished bearings, increasing imports of automobiles, a prime market for bearings—we feel justified in saying that this type of specialty tubing is showing signs of injury through imports.

There are a number of factors connected with imports which give grave concern to domestic producers of steel specialty tubing.

First, perhaps, is the tendency of those not familiar with tubular products to over simplify. Tubular products are different. The only real common thing about them is that they are a piece of metal around a hole. Specialty tubing is a sophisticated product. Just because a company can make welded carbon steel line pipe does not mean the company can make welded carbon steel boiler tubing on the same equipment. Just because a company makes seamless oil well casing does not mean that it can make seamless stainless steel pressure tubing. The manufacturing processes are different, the equipment employed is different, the know-how is different. If one recognizes that a diesel-powered truck is different from a four-door sedan, yet both are automotive—one must recognize that line pipe is different from bearing tubing, yet both are tubular products.

The second item of concern is the complete inadequacy of the current TSUSA annotations as a measuring tool of our products. Some categories lump a specialty product with a number of high tonnage pipe items. Some categories lump alloy steels with stainless steels when they are different as products with great differences in value. Definitions are not what a product is, but frequently what it is not. The current TSUSA is not in phase with other government data—the schedule used to measure exports, the form used to measure domestic production of the products. Efforts are being made by the industry with the Tariff Commission to improve the annotations for imports but the only real way to improve it to a first class measuring tool is to revise it completely—that is, scrap the categories 610.30.00 through 610.52.80 and begin all over again.

A third item of concern is the scheduled changes in duty. Unless we have completely misunderstood the situation, we find—

1. The tariff rate per pound, of low value butt weld pipe to be the same as relatively high value welded boiler tubes.

2. The tariff rates scheduled to be lowered on products gravely affected by imports such as:

Welded stainless steel tubular products
Alloy steel bearing tubing
Seamless alloy steel pressure tubing
Seamless stainless steel and heat resisting steel tubing

These scheduled changes are on the base and/or through reductions of tariff on the alloying elements. These tariff adjustments serve only to make it more advantageous for the marketing efforts of importers.

The four items of concern, is the general feeling that the voluntary quota system may be working. As far as specialty tubing is concerned—in fact, as far as all steel tubular products are concerned—it is not working. Imports of total welded steel tubular products increased in 1969 over 1968. Imports of seamless steel tubular products, a more complex and expensive type of tubing, increased even more than welded. In general, imports of specialty tubing increased in 1969 over 1968 and there appears to be no let up so far in 1970.

The import problem for the domestic specialty tubing industry has come to full bloom in five years. What will be the problem in the next few years? We, who are part of the domestic specialty steel tubing industry, say that our domestic markets for the products simply are not large enough to support a strong domestic production capability and, at the same time, take care of increasing imports of the products mentioned.

The solution is not to be found in exports. The markets for the products are in highly industrialized nations. And the highly industrialized nations are the ones importing the products into the United States. Japan, Sweden, West Germany, United Kingdom, Switzerland, Italy, Belgium-Luxembourg, and France are the primary countries of origin of imported specialty tubing. Each country does not contribute to all of the six specialized categories mentioned. Some countries contribute to only one or two product categories—and one, Japan, contributes to all six.

There is a solution to the problem—and it may be a difficult one, but it is not complex:

*First*—An advisory group of government and specialty tubing industry representatives should be established.

*Second*—This group should be charged with changing or modifying the TSUSA annotations to the point where imports of specialty tubing can be measured.

*Third*—Imports should be correlated to domestic production and domestic needs.

*Fourth*—Reasonable limits should be established, category by category, under which the specific products may be imported without harm to related industries and domestic needs.

If something is not done to curb imports of specialty tubing, you may be assured that some producers will drop some lines and change their production and marketing efforts into other types of steel tubing where imports are not so much of a problem. When this happens, some domestic industries—such as power generation, oil refining, chemical processing, automotive, and food processing—are going to be dependent upon overseas sources of supply for a number of their specialty steel tubing needs. Unfortunately, these industries don't just serve a few select groups of people—we all depend upon them for our day-to-day living. This would be an intolerable position in the event of a national emergency.

In closing, I'd like to make one remark. I have noticed that just about all the bills related to foreign trade carry the introductory phrase "To provide for *orderly* trade . . ." If someone is being hurt, trade is not orderly. The steel specialty tubing industry is being hurt by imports. That hurt sooner or later, if not removed, will pass on to someone else—the market for the product and the people in this great country of ours. We respectfully request this Committee to take steps to return trade in these products to an "orderly" fashion.

APPENDIX—IMPORT DATA, TSUSA ANNOTATIONS, EXPORT CODE SYSTEM, DEPARTMENT OF COMMERCE AND AISI SHIPMENT DATA—RELATED TO STEEL SPECIALTY TUBING

1. a. AIS Imports 1 (1969) Iron and Steel Products
   b. AIS Imports 1 (1968) Iron and Steel Products
2. a. AIS Imports 2 (1969) Tubular Products
   b. AIS Imports 2 (1968) Tubular Products
3. a. TSUSA 1969 Tubular Products
   b. TSUSA 1970 (Revision)
4. a. MA 33B (Department of Commerce) Tubular Products Shipments 1967–66
   b. Schedule B Commodity Code Numbers for Export (Specially Tubular Products)
5. a. AIS 10 Shipments (1969) Tubular Products by Type and Steel
   b. AIS 10P Shipments (1969) Tubular Products by Process and Type
   c. Net Shipments of Steel Tubular Products 1968–1969 (AISI)
6. a. Imports Related Carbon Steel Tubular Products 1964–1969
   b. Imports Related Alloy Steel Tubular Products 1964–1969
   c. Imports Related Stainless & Heat Resisting Steel Tubular Products 1964–1969
7. Imports Alloy, Heat Resisting and Stainless Steel Tubular Products by Country of Origin
7. a. Summary 1964–1969 by Countries
   b. Argentina
   c. Austria
   d. Belgium-Luxembourg
   e. Canada
   f. France
   g. Italy
   h. Japan
   i. Sweden
   j. United Kingdom
   k. West Germany

AMERICAN IRON AND STEEL INSTITUTE
1000 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20036

IMPORTS OF IRON AND STEEL PRODUCTS

| PRODUCTS | DECEMBER 1969 NET TONS | DECEMBER 1969 ($1,000) | YEAR - 1969 NET TONS | YEAR - 1969 ($1,000) | PERCENT CHANGE FROM PRIOR PERIOD: CURRENT TO LAST MONTH TONS | CURRENT TO LAST MONTH $ | MONTHLY YR. TO YR. TONS | MONTHLY YR. TO YR. $ | CUMULATIVE YR. TO YR. TONS | CUMULATIVE YR. TO YR. $ |
|---|---|---|---|---|---|---|---|---|---|---|
| STEEL MILL PRODUCTS | | | | | | | | | | |
| INGOTS, BLOOMS, BILLETS, SLABS,ETC 1 | 14,453 | 3,008 | 195,174 | 37,513 | +16 | -3 | -51 | -37 | -35 | -11 |
| WIRE RODS. . . . . 2 | 98,571 | 11,351 | 1,260,900 | 129,801 | -2 | - | -25 | -12 | -21 | -14 |
| STRUCTURAL SHAPES-PLAIN 3'' & OVER 3 | 135,147 | 14,557 | 1,367,467 | 134,898 | +74 | +73 | +8 | +26 | -5 | +3 |
| SHEET PILING . . . . . 4 | 4,085 | 430 | 65,956 | 6,854 | -30 | -35 | -61 | -59 | -2 | +3 |
| PLATES . . . . . 5 | 82,848 | 8,919 | 1,201,276 | 120,199 | +24 | +26 | -43 | -33 | -33 | -25 |
| RAIL AND TRACK ACCESSORIES . . . . 6 | 3,218 | 316 | 44,143 | 4,042 | +98 | +95 | +114 | +116 | +29 | +30 |
| WHEELS AND AXLES . . . . . 7 | 3,293 | 667 | 23,282 | 6,564 | +70 | +46 | +150 | +47 | +23 | +56 |
| CONCRETE REINFORCING BARS. . . . . 8 | 21,293 | 2,248 | 470,818 | 40,563 | +2 | +2 | -62 | -43 | -36 | -24 |
| BAR SHAPES UNDER 3'' . . . . . 9 | 37,340 | 4,151 | 521,876 | 48,663 | +34 | +42 | -33 | -10 | -22 | -14 |
| BARS - HOT ROLLED - CARBON . . . .10 | 52,695 | 5,752 | 696,710 | 71,516 | +14 | +12 | -16 | +4 | -14 | +1 |
| BARS - HOT ROLLED - ALLOY. . . . .11 | 8,251 | 2,400 | 100,669 | 24,640 | -15 | +14 | -9 | - | +18 | +14 |
| BARS - COLD FINISHED . . . . . .12 | 13,692 | 2,766 | 106,372 | 23,357 | +9 | +5 | +49 | +55 | +41 | +45 |
| HOLLOW DRILL STEEL . . . . . .13 | 462 | 182 | 5,408 | 2,036 | +33 | +31 | +37 | +29 | +46 | +51 |
| WELDED PIPE AND TUBING . . . . . .14 | 100,356 | 13,902 | 1,299,960 | 177,986 | +12 | +13 | -20 | -11 | +1 | +2 |
| OTHER PIPE AND TUBING. . . . . .15 | 25,443 | 5,486 | 359,651 | 76,249 | +3 | +3 | -21 | -23 | +11 | +9 |
| ROUND AND SHAPED WIRE. . . . . .16 | 53,421 | 10,909 | 572,731 | 112,358 | +9 | +10 | -5 | +6 | - | +4 |
| FLAT WIRE. . . . . .17 | 1,670 | 876 | 21,040 | 9,668 | -11 | +20 | -19 | -14 | -1 | -2 |
| BALE TIES. . . . . .18 | 11 | 2 | 1,158 | 173 | -62 | -66 | -85 | -86 | -5 | -8 |
| GALVANIZED WIRE FENCING. . . . . .19 | 4,688 | 797 | 54,765 | 8,981 | -10 | -7 | -23 | -16 | -7 | -2 |
| WIRE NAILS. . . . . .20 | 20,113 | 3,657 | 301,851 | 51,184 | -3 | -4 | -32 | -19 | +5 | +14 |
| BARBED WIRE. . . . . .21 | 6,384 | 946 | 62,749 | 8,686 | +7 | +7 | -12 | -3 | -19 | -14 |
| BLACK PLATE. . . . . .22 | 691 | 122 | 11,657 | 1,684 | +41 | +43 | +76 | +122 | +75 | +160 |
| TIN PLATE. . . . . .23 | 18,771 | 3,131 | 300,134 | 51,266 | -5 | -4 | -2 | -4 | +32 | +31 |
| TERNE PLATE. . . . . .24 | - | - | 531 | 73 | -100 | -100 | -100 | -100 | +50 | +36 |
| SHEETS - HOT ROLLED. . . . . .25 | 175,688 | 14,830 | 1,937,548 | 163,962 | +15 | +12 | -32 | -28 | -44 | -41 |
| SHEETS - COLD ROLLED . . . . . .26 | 166,964 | 21,820 | 2,006,564 | 259,901 | -9 | -11 | -3 | -1 | -31 | -26 |
| SHEETS - COATED (INCL GALVANIZED).27 | 79,088 | 11,536 | 929,902 | 133,725 | +27 | +28 | +13 | +18 | -4 | - |
| SHEETS - COATED - ALLOY. . . . . .28 | 3 | 2 | 327 | 145 | - | +717 | -83 | -72 | +660 | +1135 |
| STRIP - HOT ROLLED . . . . . .29 | 2,703 | 315 | 35,486 | 4,367 | +66 | +46 | -18 | -10 | -11 | -1 |
| STRIP - COLD ROLLED. . . . . .30 | 2,764 | 1,066 | 37,607 | 12,825 | -8 | +12 | -2 | +5 | +16 | +19 |
| STRIP - HOT & COLD ROLLED - ALLOY.31 | 2,494 | 1,605 | 23,042 | 15,730 | +19 | +23 | -12 | -16 | +25 | +15 |
| STRIP - COATED . . . . . .32 | 2,517 | 386 | 17,533 | 2,764 | +33 | +20 | +1191 | +509 | +576 | +325 |
| TOTAL STEEL MILL PRODUCTS . . . . | 1,139,117 | 148,133 | 14,034,287 | 1,742,374 | +13 | +11 | -20 | -9 | -22 | -12 |
| OTHER STEEL PRODUCTS | | | | | | | | | | |
| STRUCTURAL SHAPES, FABRICATED. . .33 | 5,713 | 1,668 | 149,917 | 36,770 | -30 | -23 | -45 | -34 | +32 | +38 |
| SHAPES - COLD FORMED . . . . . .34 | - | - | 732 | 84 | - | - | - | - | +9050 | +2569 |
| SASHES AND FRAMES . . . . . .35 | 13 | 7 | 208 | 162 | +30 | -72 | +225 | +122 | +26 | +36 |
| FENCE OR SIGN POSTS. . . . . .36 | 836 | 118 | 6,485 | 884 | +340 | +231 | -12 | - | - | +4 |
| WIRE - NONMETALLIC COVERED . . . .37 | - | 2 | 195 | 148 | -100 | -76 | -100 | -92 | -20 | -35 |
| WIRE ROPE. . . . . .38 | 2,113 | 961 | 26,813 | 11,698 | +20 | +13 | -5 | +1 | +17 | +12 |
| WIRE STRAND. . . . . .39 | 8,345 | 1,642 | 91,618 | 18,076 | +3 | +3 | -6 | -4 | +16 | +14 |
| WELDED WIRE FABRIC . . . . . .40 | 1,040 | 185 | 12,028 | 2,175 | +207 | +78 | -27 | -29 | -28 | -20 |
| OTHER NAILS AND STAPLES. . . . . .41 | 1,732 | 807 | 21,606 | 8,681 | -7 | +17 | -19 | +13 | +14 | +22 |
| BALE TIES - STRIP. . . . . .42 | 1,947 | 265 | 22,733 | 3,021 | +24 | +31 | +407 | +448 | -2 | +3 |
| BOLTS, NUTS AND RIVETS . . . . . .43 | 16,501 | 6,092 | 172,846 | 58,794 | +9 | +13 | +10 | +19 | +17 | +19 |
| GRINDING BALLS . . . . . .44 | 1,570 | 243 | 18,825 | 3,109 | +157 | +190 | -14 | -19 | +13 | +12 |
| BLANKS, NONRECTANGULAR FLAT ROLLED45 | 1,417 | 297 | 12,793 | 3,439 | +3 | -34 | +692 | +115 | +73 | +54 |
| RIGID CONDUIT. . . . . .46 | 1,021 | 205 | 12,323 | 2,318 | -7 | +7 | -42 | -37 | -6 | -1 |
| PIPE AND TUBE FITTINGS . . . . . .47 | 3,321 | 1,191 | 31,636 | 11,144 | +51 | +45 | -14 | -10 | -10 | -10 |
| TOTAL OTHER STEEL PRODUCTS. . . . | 45,569 | 13,684 | 580,758 | 160,504 | +8 | +8 | -7 | +1 | +16 | +18 |
| TOTAL STEEL PRODUCTS. . . . . | 1,184,686 | 161,817 | 14,615,045 | 1,902,878 | +13 | +11 | -20 | -8 | -21 | -10 |
| IRON PRODUCTS & FERROALLOYS | | | | | | | | | | |
| BAR IRON, IRON SLABS & BLOOMS ETC.48 | 31 | 8 | 616 | 153 | -85 | -78 | -16 | -21 | +29 | -11 |
| CAST IRON SOIL PIPE AND FITTINGS .49 | 660 | 53 | 14,224 | 1,398 | +11 | -5 | -65 | -72 | -28 | -30 |
| OTHER CAST IRON PIPE AND FITTINGS.50 | 1,026 | 401 | 11,886 | 4,484 | +50 | +55 | -37 | -41 | +28 | +24 |
| MALLEABLE CAST IRON PIPE FITTINGS.51 | 769 | 320 | 8,296 | 3,567 | +35 | +26 | +14 | +16 | -17 | -7 |
| CASTINGS AND FORGINGS. . . . . .52 | 2,695 | 1,085 | 42,862 | 14,635 | -6 | -9 | +5 | +26 | +84 | +53 |
| PIG IRON . . . . . .53 | 45,991 | 2,360 | 406,567 | 18,513 | +18 | +26 | -36 | -23 | -48 | -39 |
| SPONGE IRON. . . . . .54 | 486 | 97 | 10,581 | 1,857 | +17 | -3 | -54 | -16 | +2 | +23 |
| FERROMANGANESE (MANGANESE CONTENT)55 | 6,644 | 1,036 | 235,809 | 31,905 | -57 | -57 | +490 | +271 | +48 | +50 |
| FERROSILICON (SILICON CONTENT) . .56 | 476 | 164 | 16,940 | 4,577 | -70 | -69 | +51 | -32 | +59 | +43 |
| FERROCHROMIUM (CHROMIUM CONTENT) .57 | 360 | 135 | 40,269 | 12,708 | -68 | -78 | -8 | -8 | -2 | -10 |
| OTHER FERROALLOYS. . . . . .58 | 6,572 | 2,369 | 40,463 | 17,796 | +305 | +505 | +1560 | +928 | +27 | +48 |
| TOTAL IRON PRODUCTS & FERROALLOYS | 65,710 | 8,028 | 828,513 | 111,594 | +2 | +4 | -21 | +32 | -25 | +10 |
| GRAND TOTAL . . . . . | 1,250,396 | 169,845 | 15,443,558 | 2,014,472 | +12 | +11 | -20 | -7 | -21 | -9 |
| IRON AND STEEL SCRAP . . . . . .59 | 25,290 | 807 | 335,198 | 13,487 | -35 | -13 | -17 | -4 | +14 | +19 |

SOURCE: U. S. DEPARTMENT OF COMMERCE

FEBRUARY - 1970

AMERICAN IRON AND STEEL INSTITUTE
150 EAST FORTY-SECOND STREET
NEW YORK, NEW YORK 10017

IMPORTS OF IRON AND STEEL PRODUCTS

| PRODUCTS | DECEMBER 1968 NET TONS | DECEMBER 1968 ($1,000) | YEAR - 1968 NET TONS | YEAR - 1968 ($1,000) | PERCENT CHANGE FROM PRIOR PERIOD: CURRENT TO LAST MONTH TONS | CURRENT TO LAST MONTH % | MONTHLY YR. TO YR. TONS | MONTHLY YR. TO YR. % | CUMULATIVE YR. TO YR. TONS | CUMULATIVE YR. TO YR. % |
|---|---|---|---|---|---|---|---|---|---|---|
| STEEL MILL PRODUCTS | | | | | | | | | | |
| INGOTS, BLOOMS, BILLETS, SLABS, ETC 1 | 29,758 | 4,803 | 298,683 | 42,358 | +141 | +88 | +41 | +69 | +36 | +35 |
| WIRE RODS. . . . . 2 | 132,191 | 12,865 | 1,600,369 | 150,488 | +11 | +13 | +130 | +117 | +69 | +48 |
| STRUCTURAL SHAPES-PLATE 3" & OVER 3 | 124,055 | 11,576 | 1,445,135 | 120,904 | - | +2 | +65 | +64 | +40 | +36 |
| SHEET PILING . . . . . 4 | 10,511 | 1,051 | 67,544 | 6,653 | +79 | +72 | +533 | +522 | +128 | +118 |
| PLATES . . . . . 5 | 144,376 | 13,264 | 1,789,678 | 160,740 | -2 | - | +33 | +37 | +75 | +68 |
| RAIL AND TRACK ACCESSORIES . . . . 6 | 1,502 | 146 | 34,216 | 3,105 | +29 | +31 | +17 | +39 | +69 | +66 |
| WHEELS AND AXLES . . . . . 7 | 1,317 | 455 | 16,899 | 4,195 | -39 | -11 | +365 | +618 | +18 | +16 |
| CONCRETE REINFORCING BARS. . . . . 8 | 55,840 | 3,961 | 739,755 | 53,514 | +11 | +10 | +26 | +24 | +30 | +27 |
| BAR SHAPES UNDER 3" . . . . . 9 | 55,346 | 4,608 | 668,740 | 56,687 | +23 | +20 | +29 | +25 | +32 | +25 |
| BARS - HOT ROLLED - CARBON . . . .10 | 63,063 | 5,513 | 814,368 | 70,519 | -16 | -16 | +36 | +37 | +46 | +46 |
| BARS - HOT ROLLED - ALLOY. . . . .11 | 9,049 | 2,402 | 85,296 | 21,531 | -17 | -3 | +93 | +92 | +60 | +31 |
| BARS - COLD FINISHED . . . . . .12 | 9,217 | 1,783 | 75,687 | 16,076 | +22 | +1 | +168 | +90 | +95 | +49 |
| HOLLOW DRILL STEEL . . . . . .13 | 338 | 140 | 3,704 | 1,351 | -23 | -24 | +15 | +33 | -26 | -31 |
| WELDED PIPE AND TUBING . . . . . .14 | 125,686 | 15,703 | 1,292,641 | 174,467 | -1 | -4 | +45 | +28 | +58 | +67 |
| OTHER PIPE AND TUBING. . . . . .15 | 32,052 | 7,113 | 325,249 | 69,930 | -6 | -8 | +43 | +39 | +33 | +22 |
| ROUND AND SHAPED WIRE. . . . . .16 | 56,027 | 10,329 | 572,180 | 108,160 | +22 | +19 | +85 | +57 | +31 | +28 |
| FLAT WIRE. . . . . .17 | 2,070 | 1,020 | 21,263 | 9,847 | +37 | +12 | +48 | +50 | +28 | +25 |
| BALE TIES. . . . . .18 | 71 | 11 | 1,216 | 188 | -47 | -45 | +61 | +80 | -21 | +4 |
| GALVANIZED WIRE FENCING. . . . . .19 | 6,067 | 948 | 58,794 | 9,186 | +65 | +71 | +38 | +40 | +4 | +7 |
| WIRE NAILS . . . . . .20 | 29,531 | 4,536 | 287,933 | 44,875 | +31 | +23 | +39 | +41 | +33 | +42 |
| BARBED WIRE. . . . . .21 | 7,216 | 974 | 77,661 | 10,154 | +24 | +21 | +50 | +50 | +12 | +8 |
| BLACK PLATE. . . . . .22 | 303 | 55 | 6,672 | 648 | +60 | +79 | -20 | -31 | -33 | -35 |
| TIN PLATE. . . . . .23 | 19,058 | 3,265 | 227,309 | 39,102 | +10 | +10 | +86 | +81 | +45 | +44 |
| TERNE PLATE. . . . . .24 | 20 | 2 | 353 | 54 | - | - | - | - | +881 | +389 |
| SHEETS - HOT ROLLED. . . . . .25 | 258,005 | 20,524 | 3,467,811 | 275,707 | -15 | -17 | +12 | +15 | +53 | +48 |
| SHEETS - COLD ROLLED . . . . . .26 | 171,856 | 22,108 | 2,918,228 | 351,544 | -41 | -35 | +16 | +30 | +105 | +99 |
| SHEETS - COATED (INCL GALVANIZED).27 | 70,288 | 9,798 | 966,928 | 134,237 | -16 | -14 | +81 | +72 | +85 | +80 |
| SHEETS - COATED - ALLOY. . . . . .28 | 18 | 7 | 43 | 12 | - | - | -72 | -87 | -73 | -90 |
| STRIP - HOT ROLLED . . . . . .29 | 3,293 | 348 | 40,029 | 4,416 | -27 | -27 | +74 | +60 | +32 | +34 |
| STRIP - COLD ROLLED. . . . . .30 | 2,831 | 1,020 | 32,414 | 10,765 | -3 | +5 | +17 | +2 | +20 | +9 |
| STRIP - HOT & COLD ROLLED - ALLOY.31 | 2,825 | 1,917 | 18,495 | 13,691 | +62 | +47 | +309 | +210 | +83 | +37 |
| STRIP - COATED . . . . . .32 | 195 | 63 | 2,593 | 650 | +138 | +30 | +427 | +240 | +567 | +210 |
| TOTAL STEEL MILL PRODUCTS . . . . | 1,424,865 | 162,309 | 17,959,886 | 1,975,774 | -8 | -5 | +41 | +44 | +57 | +53 |
| OTHER STEEL PRODUCTS | | | | | | | | | | |
| STRUCTURAL SHAPES, FABRICATED. . .33 | 10,305 | 2,515 | 113,932 | 26,641 | +53 | +45 | - | +17 | -2 | +5 |
| SHAPES - COLD FORMED . . . . . .34 | - | - | 8 | 3 | - | - | - | - | +14 | -50 |
| SASHES AND FRAMES . . . . . .35 | 4 | 3 | 165 | 119 | -33 | -49 | - | +33 | +16 | -36 |
| FENCE OR SIGN POSTS. . . . . .36 | 947 | 117 | 6,472 | 849 | +271 | +207 | -15 | -20 | -3 | +1 |
| WIRE - NONMETALLIC COVERED . . . .37 | 14 | 24 | 244 | 229 | -13 | +120 | -78 | -62 | -2 | -4 |
| WIRE ROPE. . . . . .38 | 2,219 | 948 | 22,966 | 10,401 | +34 | +26 | +15 | +15 | -14 | -12 |
| WIRE STRAND. . . . . .39 | 8,874 | 1,708 | 78,795 | 15,859 | +41 | +38 | +43 | +72 | +22 | +24 |
| WELDED WIRE FABRIC . . . . . .40 | 1,424 | 258 | 16,681 | 2,711 | +24 | +30 | +35 | +68 | +21 | +36 |
| OTHER NAILS AND STAPLES. . . . . .41 | 2,130 | 716 | 18,979 | 7,131 | +47 | +25 | +63 | +56 | +42 | +42 |
| BALE TIES - STRIP. . . . . .42 | 384 | 48 | 23,256 | 2,936 | -63 | -62 | -51 | -54 | +58 | +50 |
| BOLTS, NUTS AND RIVETS . . . . . .43 | 14,984 | 5,121 | 147,897 | 49,608 | +21 | +30 | +31 | +29 | +6 | +5 |
| GRINDING BALLS . . . . . .44 | 1,822 | 302 | 16,656 | 2,786 | +12 | -11 | +108 | +104 | -9 | -9 |
| BLANKS, NONRECTANGULAR FLAT ROLLED45 | 179 | 138 | 7,415 | 2,234 | -48 | +15 | -83 | -57 | -34 | -21 |
| RIGID CONDUIT. . . . . .46 | 1,746 | 327 | 13,047 | 2,334 | +49 | +52 | +185 | +209 | +90 | +78 |
| PIPE AND TUBE FITTINGS . . . . . .47 | 3,863 | 1,331 | 35,116 | 12,424 | +50 | +45 | +49 | +78 | -8 | +4 |
| TOTAL OTHER STEEL PRODUCTS. . . . | 48,895 | 13,559 | 501,629 | 136,266 | +33 | +33 | +24 | +33 | +7 | +7 |
| TOTAL STEEL PRODUCTS. . . . . | 1,473,760 | 175,868 | 18,461,515 | 2,112,040 | -7 | -3 | +40 | +43 | +55 | +49 |
| IRON PRODUCTS & FERROALLOYS | | | | | | | | | | |
| BAR IRON, IRON SLABS & BLOOMS ETC.48 | 37 | 11 | 479 | 173 | +85 | +82 | - | - | +56 | +87 |
| CAST IRON SOIL PIPE AND FITTINGS .49 | 1,877 | 191 | 19,724 | 1,986 | +40 | +38 | +145 | +146 | +56 | +59 |
| OTHER CAST IRON PIPE AND FITTINGS.50 | 1,634 | 675 | 9,290 | 3,609 | +17 | +23 | +313 | +246 | +24 | +54 |
| MALLEABLE CAST IRON PIPE FITTINGS.51 | 677 | 277 | 10,054 | 3,838 | +33 | +26 | -30 | -22 | +41 | +39 |
| CASTINGS AND FORGINGS. . . . . .52 | 2,556 | 863 | 23,358 | 9,584 | +74 | +55 | +11 | -8 | -2 | -8 |
| PIG IRON . . . . . .53 | 72,113 | 3,046 | 795,899 | 30,486 | +1 | - | -3 | -20 | +37 | +17 |
| SPONGE IRON. . . . . .54 | 1,052 | 114 | 10,392 | 1,504 | +136 | +30 | +155 | +8 | -23 | -36 |
| FERROMANGANESE (MANGANESE CONTENT)55 | 1,127 | 279 | 159,090 | 21,238 | -93 | -87 | -88 | -79 | -5 | -19 |
| FERROSILICON (SILICON CONTENT) . .56 | 980 | 240 | 10,625 | 3,211 | -68 | -61 | +91 | -5 | -31 | -28 |
| FERROCHROMIUM (CHROMIUM CONTENT) .57 | 390 | 148 | 41,005 | 14,198 | -87 | -84 | -84 | -84 | +7 | +3 |
| OTHER FERROALLOYS. . . . . .58 | 396 | 230 | 31,751 | 11,990 | -90 | -83 | -90 | -83 | +16 | +78 |
| TOTAL IRON PRODUCTS & FERROALLOYS | 82,839 | 6,074 | 1,101,667 | 101,816 | -19 | -37 | -13 | -35 | +20 | +4 |
| GRAND TOTAL . . . . . | 1,556,599 | 181,942 | 19,563,182 | 2,213,856 | -8 | -5 | +36 | +38 | +52 | +46 |
| IRON AND STEEL SCRAP . . . . . .59 | 30,460 | 840 | 294,217 | 11,325 | +89 | +26 | +26 | -18 | +28 | +32 |

SOURCE: U. S. DEPARTMENT OF COMMERCE

February 1969

| LINE NO. | PRODUCTS | TSUSA CODE | DECEMBER 1969 NET TONS | DECEMBER 1969 ($1,000) | YEAR - 1969 NET TONS | YEAR - 1969 ($1,000) |
|---|---|---|---|---|---|---|
| 13 | HOLLOW DRILL STEEL | | 462 | 182 | 5,408 | 2,036 |
| | NOT ALLOY - NOT OVER 8 CTS LB. | 608.60.00 | - | - | 20 | 3 |
| | - OVER 8 CTS LB. | .61.00 | 255 | 82 | 3,458 | 1,121 |
| | ALLOY | .62.00 | 207 | 100 | 1,930 | 912 |
| 14 | WELDED PIPE AND TUBING | | 100,356 | 13,902 | 1,299,960 | 177,986 |
| | NOT ALLOY - UNDER .25''OD | 610.30.00 | 2 | - | 160 | 23 |
| | - .25''AND OVER, UNDER .375''OD | .31.00 | 112 | 14 | 408 | 63 |
| | - NOT OVER 2.375'' OD | .32.10 | 34,671 | 4,629 | 448,654 | 58,191 |
| | - OVER 2.375'', NOT OVER 4.5'' OD | .30 | 12,962 | 1,469 | 193,596 | 23,912 |
| | - OVER 4.5'', NOT OVER 16'' OD | .40 | 14,995 | 1,849 | 263,769 | 29,700 |
| | - OVER 16'' OD | .60 | 37,099 | 5,419 | 387,691 | 60,447 |
| | ALLOY - UNDER 0.25'' OD | .35.00 | - | - | 1 | 15 |
| | - .25''AND OVER, UNDER .375''OD | .36.00 | - | - | 3 | 5 |
| | - .375''OD AND OVER - NOT OVER 4.5''OD | .37.20 | 465 | 459 | 5,082 | 4,908 |
| | - OVER 4.5'', NOT OVER 16'' OD | .40 | 44 | 55 | 465 | 574 |
| | - OVER 16'' OD | .60 | 6 | 6 | 131 | 147 |
| 15 | OTHER PIPE AND TUBING. | | 25,443 | 5,486 | 359,651 | 76,249 |
| | STEEL - NOT THREADED - NOT ALLOY - OIL WELL CASING | 610.39.20 | 157 | 36 | 8,583 | 1,387 |
| | - OTHER | .40 | 6,883 | 851 | 79,251 | 9,856 |
| | - ALLOY | .40.00 | 68 | 11 | 3,008 | 657 |
| | - THREADED - NOT ALLOY - OIL WELL CASING | .42.20 | 6,238 | 1,101 | 116,932 | 21,135 |
| | - OTHER | .40 | 33 | 53 | 124 | 73 |
| | - ALLOY | .43.00 | 389 | 66 | 3,050 | 718 |
| | OTHER - SUITABLE FOR BEARINGS - NOT ALLOY | .45.00 | 27 | 6 | 129 | 31 |
| | - ALLOY | .46.00 | 1,691 | 560 | 15,696 | 5,255 |
| | - NOT SUIT FOR BEARINGS-NOT ALLOY-HOLLOW BARS | .48.00 | 67 | 19 | 607 | 157 |
| | -OTHER | .49.00 | 8,366 | 1,476 | 109,353 | 19,256 |
| | -ALLOY-HOLLW BARS-STN H RST | .51.30 | 30 | 52 | 261 | 261 |
| | -OTHER | .60 | 37 | 32 | 912 | 581 |
| | -OTHER-STN H RST | .52.30 | 612 | 845 | 7,668 | 10,608 |
| | -OTHER | .60 | 845 | 379 | 14,077 | 6,274 |
| 16 | ROUND AND SHAPED WIRE. | | 53,421 | 10,909 | 572,731 | 112,358 |
| | NOT ALLOY-UNDR.060''DIA-NOT COATED-NOT OVR.25% CARBON | 609.40.10 | 1,285 | 295 | 10,507 | 2,269 |
| | -COATED '' '' '' '' | .40 | 1,122 | 248 | 14,858 | 3,261 |
| | -NOT COATED-OVER -25% CARBON | .55 | 2,649 | 800 | 23,491 | 6,636 |
| | -COATED '' '' '' | .65 | 1,986 | 642 | 29,598 | 9,078 |
| | -.060''DIA.&OVR-NOT COATED-NOT OVER 25% CARBON | .41.10 | 16,998 | 2,552 | 191,504 | 26,228 |
| | -COATED '' '' '' '' | .40 | 11,221 | 1,558 | 104,566 | 13,659 |
| | -NOT COATED - OVER .25% CARBON | .43.55 | 11,514 | 2,079 | 114,146 | 20,201 |
| | -COATED '' '' '' | .65 | 3,353 | 652 | 41,674 | 7,973 |
| | ALLOY - UNDER .060''DIA. - STAINLESS | .45.10 | 275 | 401 | 3,620 | 4,911 |
| | - HIGH SPEED TOOL | .20 | - | 1 | 30 | 20 |
| | - OTHER | .30 | 15 | 61 | 391 | 687 |
| | - .060''DIA. AND OVER - STAINLESS | .40 | 1,135 | 993 | 10,346 | 8,662 |
| | - HIGH SPEED TOOL | .50 | 53 | 89 | 520 | 965 |
| | - OTHER | .60 | 1,078 | 384 | 18,118 | 5,546 |
| | OTHER THAN ROUND - NOT ALLOY - NOT COATED | .70.00 | 619 | 107 | 6,906 | 1,183 |
| | - COATED | .72.00 | 6 | 2 | 144 | 37 |
| | - ALLOY - NOT COATED | .75.00 | 28 | 16 | 484 | 414 |
| | - COATED | .76.00 | - | - | 21 | 12 |
| | OTHER WIRE-GALV.-.075''TO .20''DIA.-PLASTIC COVERED | 642.96.00 | 55 | 15 | 1,409 | 397 |
| | -OTHER-COVERED WITH TEXTILE OR OTHER MATERIAL | .97.00 | 29 | 12 | 398 | 217 |
| 17 | FLAT WIRE. | | 1,670 | 876 | 21,040 | 9,668 |
| | NOT ALLOY - NOT COATED - NOT OVER .01''THICK | 609.20.00 | 140 | 128 | 1,438 | 1,139 |
| | - .01''TO .05''THICK | .21.00 | 975 | 351 | 10,467 | 4,139 |
| | - OVER .05''THICK | .22.00 | 93 | 29 | 1,138 | 329 |
| | - COATED - NOT OVER .01''THICK | .25.00 | - | - | 11 | 9 |
| | - .01''TO .05''THICK | .26.00 | 299 | 71 | 6,402 | 1,392 |
| | - OVER .05''THICK | .27.00 | - | - | 158 | 47 |
| | ALLOY - NOT COATED - NOT OVER .01''THICK - STAINLESS | .30.20 | 40 | 112 | 220 | 709 |
| | - OTHER | .40 | 27 | 31 | 111 | 199 |
| | - .01''TO .05''THICK - STAINLESS | .31.20 | 49 | 71 | 661 | 1,112 |
| | - OTHER | .40 | 33 | 71 | 313 | 522 |
| | - OVER .05''THICK - STAINLESS | .32.20 | 14 | 11 | 36 | 40 |
| | - OTHER | .40 | - | - | 47 | 21 |
| | - COATED - NOT OVER .01''THICK | .35.00 | - | - | 37 | 8 |
| | - .01''TO .05''THICK | .36.00 | - | - | 1 | 2 |
| | - OVER .05''THICK | .37.00 | - | - | - | - |
| 18 | BALE TIES. | | 11 | 2 | 1,158 | 173 |
| | SINGLE LOOP TIES, .055''-.082''DIA.,7.5'TO 10.5' LONG | 642.90.00 | 3 | - | 455 | 61 |
| | OTHER | .91.00 | 8 | 1 | 703 | 111 |

| LINE NO. | PRODUCTS | TSUSA CODE | DECEMBER 1968 NET TONS | DECEMBER 1968 ($1,000) | YEAR - 1968 NET TONS | YEAR - 1968 ($1,000) |
|---|---|---|---|---|---|---|
| 13 | HOLLOW DRILL STEEL | | 338 | 140 | 3,704 | 1,351 |
| | NOT ALLOY - NOT OVER 8 CTS LB. | 608.60.00 | - | - | 77 | 11 |
| | - OVER 8 CTS LB. | .61.00 | 172 | 63 | 2,656 | 861 |
| | ALLOY | .62.00 | 166 | 77 | 971 | 479 |
| 14 | WELDED PIPE AND TUBING | | 125,686 | 15,703 | 1,292,641 | 174,467 |
| | NOT ALLOY - UNDER .25''OD | 610.30.00 | - | - | 80 | 8 |
| | - .25''AND OVER, UNDER .375''OD | .31.00 | 2 | - | 618 | 87 |
| | - NOT OVER 2.375'' OD | .32.10 | 35,929 | 4,671 | 476,065 | 61,140 |
| | - OVER 2.375'', NOT OVER 4.5'' OD | .30 | 13,840 | 1,683 | 178,896 | 21,552 |
| | - OVER 4.5'', NOT OVER 16'' OD | .40 | 61,014 | 7,166 | 377,776 | 42,868 |
| | - OVER 16'' OD | .60 | 14,168 | 1,534 | 255,565 | 45,258 |
| | ALLOY - UNDER 0.25'' OD | .35.00 | - | - | 4 | 2 |
| | - .25''AND OVER, UNDER .375''OD | .36.00 | - | - | 8 | 9 |
| | - .375''OD AND OVER - NOT OVER 4.5''OD | .37.20 | 668 | 557 | 3,278 | 3,093 |
| | - OVER 4.5'', NOT OVER 16'' OD | .40 | 57 | 80 | 293 | 361 |
| | - OVER 16'' OD | .60 | 8 | 12 | 58 | 88 |
| 15 | OTHER PIPE AND TUBING | | 32,052 | 7,113 | 325,249 | 69,930 |
| | STEEL - NOT THREADED - NOT ALLOY - OIL WELL CASING | 610.39.20 | 1,015 | 164 | 10,340 | 1,919 |
| | - OTHER | .40 | 5,662 | 763 | 53,431 | 6,677 |
| | - ALLOY | .40.00 | 315 | 68 | 1,307 | 309 |
| | - THREADED - NOT ALLOY - OIL WELL CASING | .42.20 | 9,687 | 1,624 | 104,451 | 18,296 |
| | - OTHER | .40 | - | - | 806 | 132 |
| | - ALLOY | .43.00 | 187 | 34 | 4,253 | 902 |
| | OTHER - SUITABLE FOR BEARINGS - NOT ALLOY | .45.00 | - | - | 199 | 61 |
| | - ALLOY | .46.00 | 2,224 | 734 | 14,936 | 4,837 |
| | - NOT SUIT FOR BEARINGS-NOT ALLOY-HOLLOW BARS | .48.00 | - | - | 650 | 157 |
| | -OTHER | .49.00 | 9,458 | 1,685 | 112,635 | 19,237 |
| | -ALLOY-HOLLW BARS-STN H RST | .51.30 | 66 | 58 | 727 | 525 |
| | -OTHER | .60 | 73 | 59 | 1,116 | 710 |
| | -OTHER-STN H RST | .52.30 | 486 | 846 | 5,964 | 9,715 |
| | -OTHER | .60 | 2,879 | 1,079 | 14,434 | 6,452 |
| 16 | ROUND AND SHAPED WIRE | | 56,027 | 10,329 | 572,180 | 108,180 |
| | NOT ALLOY-UNDR.060''DIA-NOT COATED-NOT OVR.25% CARBON | 609.40.10 | 1,232 | 255 | 11,391 | 2,293 |
| | -COATED '' '' '' '' | .40 | 1,508 | 311 | 14,870 | 3,061 |
| | -NOT COATED-OVER -25% CARBON | .55 | 2,130 | 626 | 25,630 | 7,047 |
| | -COATED '' '' '' '' | .65 | 2,388 | 663 | 29,195 | 8,572 |
| | -.060''DIA.&OVR-NOT COATED-NOT OVER 25% CARBON | .41.10 | 21,845 | 2,845 | 190,024 | 24,876 |
| | -COATED '' '' '' '' | .40 | 8,111 | 1,025 | 103,396 | 13,286 |
| | -NOT COATED - OVER .25% CARBON | .43.55 | 11,518 | 2,023 | 115,900 | 20,313 |
| | -COATED '' '' '' | .65 | 4,476 | 868 | 47,659 | 9,156 |
| | ALLOY - UNDER .060''DIA. - STAINLESS | .45.10 | 357 | 502 | 3,573 | 4,766 |
| | - HIGH SPEED TOOL | .20 | - | - | 1,236 | 193 |
| | - OTHER | .30 | 5 | 22 | 336 | 418 |
| | - .060''DIA. AND OVER - STAINLESS | .40 | 518 | 532 | 7,791 | 5,991 |
| | - HIGH SPEED TOOL | .50 | 49 | 98 | 481 | 841 |
| | - OTHER | .60 | 899 | 314 | 12,687 | 5,281 |
| | OTHER THAN ROUND - NOT ALLOY - NOT COATED | .70.00 | 828 | 156 | 5,200 | 1,074 |
| | - COATED | .72.00 | - | - | 165 | 41 |
| | - ALLOY - NOT COATED | .75.00 | 48 | 44 | 448 | 347 |
| | - COATED | .76.00 | - | - | 178 | 36 |
| | OTHER WIRE-GALV.-075''TO .201''DIA.-PLASTIC COVERED | 642.96.00 | 71 | 17 | 1,320 | 319 |
| | -OTHER-COVERED WITH TEXTILE OR OTHER MATERIAL | .97.00 | 44 | 28 | 700 | 267 |
| 17 | FLAT WIRE | | 2,070 | 1,020 | 21,263 | 9,847 |
| | NOT ALLOY - NOT COATED - NOT OVER .01''THICK | 609.20.00 | 114 | 113 | 1,388 | 1,188 |
| | - .01''TO .05''THICK | .21.00 | 1,039 | 455 | 10,018 | 3,718 |
| | - OVER .05''THICK | .22.00 | 109 | 45 | 923 | 263 |
| | - COATED - NOT OVER .01''THICK | .25.00 | - | - | 177 | 60 |
| | - .01''TO .05''THICK | .26.00 | 473 | 101 | 6,640 | 1,418 |
| | - OVER .05''THICK | .27.00 | 27 | 8 | 280 | 68 |
| | ALLOY - NOT COATED - NOT OVER .01''THICK - STAINLESS | .30.20 | 34 | 108 | 495 | 1,199 |
| | - OTHER | .40 | 7 | 12 | 80 | 172 |
| | - .01''TO .05''THICK - STAINLESS | .31.20 | 63 | 97 | 733 | 1,183 |
| | - OTHER | .40 | 17 | 37 | 229 | 495 |
| | - OVER .05''THICK - STAINLESS | .32.20 | 6 | 8 | 27 | 36 |
| | - OTHER | .40 | 181 | 35 | 273 | 48 |
| | - COATED - NOT OVER .01''THICK | .35.00 | - | - | - | - |
| | - .01''TO .05''THICK | .36.00 | - | - | - | - |
| | - OVER .05''THICK | .37.00 | - | - | - | - |
| 18 | BALE TIES | | 71 | 11 | 1,216 | 188 |
| | SINGLE LOOP TIES, .055''-.082''DIA.,7.5'TO 10.5' LONG | 642.90.00 | - | - | 393 | 56 |
| | OTHER | .91.00 | 71 | 11 | 823 | 132 |

| Item | Stat. Suf-fix | Articles | Units of Quantity | Rates of Duty 1 | Rates of Duty 2 |
|---|---|---|---|---|---|
| | | Pipes and tubes and blanks therefor, all the foregoing of iron (except cast iron) or steel: Welded, jointed, or seamed, with walls not thinner than 0.065 inch, and of circular cross section: | | | |
| | | Other than alloy iron or steel: | | | |
| 610.30 | 00 | Under 0.25 inch in outside diameter | Lb. | 0.875¢ per lb. | 1.75¢ per lb. |
| 610.31 | 00 | 0.25 inch or more but under 0.375 inch in outside diameter | Lb. | 0.625¢ per lb. | 1.25¢ per lb. |
| 610.32 | | 0.375 inch or more in outside diameter | | 0.3¢ per lb. | 0.75¢ per lb. |
| | 10 | *Not over 2.375 inches in outside diameter* | Lb. | | |
| | 30 | *Over 2.375 inches but not over 6.5 inches in outside diameter* | Lb. | | |
| | 40 | *Over 6.5 inches, but not over 16 inches in outside diameter* | Lb. | | |
| | 60 | *Over 16 inches in outside diameter* | Lb. | | |
| | | Alloy iron or steel: | | | |
| 610.35 | 00 | Under 0.25 inch in outside diameter | Lb. | 0.875¢ per lb. + 4% ad val. + additional duties (see headnote 4) | 1.75¢ per lb. + 8% ad val. + additional duties (see headnote 4) |
| 610.36 | 00 | 0.25 inch or more but under 0.375 inch in outside diameter | Lb. | 0.625¢ per lb. + 4% ad val. + additional duties (see headnote 4) | 1.25¢ per lb. + 8% ad val. + additional duties (see headnote 4) |
| 610.37 | | 0.375 inch or more in outside diameter | | 0.3¢ per lb. + 4% ad val. + additional duties (see headnote 4) | 0.75¢ per lb. + 8% ad val. + additional duties (see headnote 4) |
| | 20 | *Not over 6.5 inches in outside diameter* | Lb. | | |
| | 40 | *Over 6.5 inches, but not over 16 inches in outside diameter* | Lb. | | |
| | 60 | *Over 16 inches in outside diameter* | Lb. | | |
| | | Other: | | | |
| | | Steel pipe conforming to the A.P.I. specifications for oil well casing and steel pipes and tubes of rectangular cross section, whether welded or seamless, having a wall thickness not less than 0.156 inch: | | | |
| | | Not threaded and not otherwise advanced: | | | |
| 610.39 | | Other than alloy steel | | 0.1¢ per lb. | 0.2¢ per lb. |
| | 20 | *Oil well casing* | Lb. | | |
| | 40 | *Other* | Lb. | | |
| 610.40 | 00 | Alloy steel | Lb. | 0.1¢ per lb. + 4% ad val. + additional duties (see headnote 4) | 0.2¢ per lb. + 8% ad val. + additional duties (see headnote 4) |
| | | Threaded or otherwise advanced: | | | |
| 610.42 | | Other than alloy steel | | 7.5% ad val. | 20% ad val. |
| | 20 | *Oil well casing* | Lb. | | |
| | 40 | *Other* | Lb. | | |
| 610.43 | 00 | Alloy steel | Lb. | 11% ad val. + additional duties (see headnote 4) | 28% ad val. + additional duties (see headnote 4) |
| | | Other: | | | |
| | | Suitable for use in the manufacture of ball or roller bearings: | | | |
| 610.45 | 00 | Other than alloy iron or steel | Lb. | 11.5% ad val. | 25% ad val. |
| 610.46 | 00 | Alloy iron or steel | Lb. | 14.5% ad val. + additional duties (see headnote 4) | 33% ad val. + additional duties (see headnote 4) |
| | | Not suitable for use in the manufacture of ball or roller bearings: | | | |
| | | Other than alloy iron of steel: | | | |
| 610.48 | 00 | Hollow bars | Lb. | 11% ad val. | 22% ad val. |
| 610.49 | 00 | Other | Lb. | 10.5% ad val. | 25% ad val. |
| | | Alloy iron or steel: | | | |
| 610.51 | | Hollow bars | | 14% ad val. + additional duties (see headnote 4) | 30% ad val. + additional duties (see headnote 4) |
| | 30 | *Stainless steel and heat resisting steel* | Lb. | | |
| | 60 | *Other* | Lb. | | |
| 610.52 | | Other | | 13.5% ad val. + additional duties (see headnote 4) | 35% ad val. + additional duties (see headnote 4) |
| | 30 | *Stainless steel and heat resisting steel* | Lb. | | |
| | 60 | *Other* | Lb. | | |

Changed to - (in 1970 Annotation)
610.52.70 Containing 0.4% or more of molybdenum
610.52.80 Other

This page from TSUSA (1970) shows new annotations re: seamless tubing

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1970)

SCHEDULE 6. - METALS AND METAL PRODUCTS
Part 2. - Metals, Their Alloys, and Their Basic Shapes and Forms



| Item | Stat. Suf-fix | Articles | Units of Quantity | Rates of Duty 1 | Rates of Duty 2 |
|---|---|---|---|---|---|
| | | Pipes and tubes and blanks therefor, etc. (con.): | | | |
| | | Other (con.): | | | |
| | | Other: | | | |
| | | Suitable for use in the manufacture of ball or roller bearings: | | | |
| 610.45 | 00 | Other than alloy iron or steel..... | Lb..... | 11% ad val. | 25% ad val. |
| 610.46 | 00 | Alloy iron or steel..... | Lb..... | 14% ad val. + additional duties (see headnote 4) | 33% ad val. + additional duties (see headnote 4) |
| | | Not suitable for use in the manufacture of ball or roller bearings: | | | |
| | | Other than alloy iron or steel: | | | |
| 610.48 | 00 | Hollow bars..... | Lb..... | 11% ad val. | 22% ad val. |
| 610.49 | 00 | Other..... | Lb..... | 10.5% ad val. | 25% ad val. |
| | | Alloy iron or steel: | | | |
| 610.51 | | Hollow bars..... | ..... | 14% ad val. + additional duties (see headnote 4) | 30% ad val. + additional duties (see headnote 4) |
| | 30 | *Stainless steel and heat resisting steel....* | *Lb.* | | |
| | 60 | *Other.....* | *Lb.* | | |
| 610.52 | | Other..... | ..... | 13.5% ad val. + additional duties (see headnote 4) | 35% ad val. + additional duties (see headnote 4) |
| | 30 | *Stainless steel and heat resisting steel....* | *Lb.* | | |
| | | *Other:* | | | |
| | 70 | *Containing 0.4 percent or more of molybdenum.....* | *Lb.* | | |
| | 80 | *Other.....* | *Lb.* | | |
| | | Cast-iron pipes and tubes: | | | |
| 610.56 | | Other than alloy cast iron..... | ..... | 10% ad val. | 25% ad val. |
| | 20 | *Cast-iron soil pipe.....* | *Lb.* | | |
| | 40 | *Other.....* | *Lb.* | | |
| 610.58 | 00 | Alloy cast iron..... | Lb..... | 12.5% ad val. + additional duties (see headnote 4) | 33% ad val. + additional duties (see headnote 4) |
| | | Pipe and tube fittings of iron or steel: | | | |
| | | Cast-iron fittings, not malleable: | | | |
| | | For cast-iron pipe: | | | |
| 610.62 | | Cast iron, other than alloy cast iron..... | ..... | 10% ad val. | 25% ad val. |
| | 20 | *For cast-iron soil pipe.....* | *Lb.* | | |
| | 40 | *Other.....* | *Lb.* | | |
| 610.63 | 00 | Alloy cast iron..... | Lb..... | 12.5% ad val. + additional duties (see headnote 4) | 33% ad val. + additional duties (see headnote 4) |
| | | Not for cast-iron pipe: | | | |
| 610.65 | 00 | Cast iron, other than alloy cast iron..... | Lb..... | 3% ad val. | 20% ad val. |
| 610.66 | 00 | Alloy cast iron..... | Lb..... | 5.5% ad val. + additional duties (see headnote 4) | 28% ad val. + additional duties (see headnote 4) |
| | | Cast-iron fittings, malleable: | | | |
| | | Not advanced in condition by operations or processes subsequent to the casting process: | | | |
| 610.70 | 00 | Cast iron, other than alloy cast iron..... | Lb..... | 8% ad val. | 20% ad val. |
| 610.71 | 00 | Alloy cast iron..... | Lb..... | 10.5% ad val. + additional duties (see headnote 4) | 28% ad val. + additional duties (see headnote 4) |
| 610.74 | 00 | Advanced in condition by operations or processes subsequent to the casting process..... | Lb..... | 15.5% ad val. | 45% ad val. |
| 610.80 | | Other fittings..... | ..... | 14% ad val. | 45% ad val. |
| | 10 | *Forged steel flanges.....* | *Lb.* | | |
| | 30 | *Welding fittings (except forged steel flanges).....* | *Lb.* | | |
| | 40 | *Other.....* | *Lb.* | | |
| 610.81 | 00 | If Canadian article and original motor-vehicle equipment (see headnote 2, part 6B, schedule 6)..... | Lb..... | Free | |

Table 3.--NET SHIPMENTS OF STEEL MILL PRODUCTS: 1967 AND 1966

(Short tons)

| Product[1] | Net shipments[2] 1967 | Net shipments[2] 1966 |
|---|---|---|
| ALL GRADES, TOTAL | 83,683,883 | r 90,632,788 |
| Carbon steel, total | 79,362,536 | r 81,361,764 |
| Ingots and semifinished shapes and forms (blooms, billets, slabs, sheet bars, tinplate bars, tube rounds, skelp and wire rods) | 2,372,956 | 1,405,044 |
| Finished shapes and forms: | | |
| Plates: | | |
| Floor plates | 181,045 | r 211,541 |
| Plates, other than floor plates | 6,209,309 | r 7,281,797 |
| Structural shapes | } 2,901,407 | 6,482,558 |
| Sheet piling | | |
| Bearing piles | | |
| Sheet and strip: | | |
| Sheet: | | |
| Hot-rolled and enameling | 7,871,571 | 9,487,992 |
| Cold-rolled | 14,348,953 | 13,468,354 |
| Galvanized | 4,153,194 | 4,245,355 |
| Electrical (sheet and strip) | 48,995 | 46,059 |
| Long terne | 333,386 | 450,646 |
| Strip: | | |
| Hot-rolled | 1,165,423 | 1,222,011 |
| Cold-rolled | 1,044,317 | 1,209,390 |
| Galvanized | 295,390 | 336,981 |
| Tin mill products: | | |
| Electrolytic tinplate | 5,730,686 | 5,095,985 |
| Terneplate | } 36,986 | 48,380 |
| Hot-dipped tinplate | | |
| Black plate (including chemically treated black plate) | 525,786 | 450,087 |
| Bars: | | |
| Hot-rolled bars (except concrete reinforcing): | | |
| Hollow drill steel | } 5,921,656 | 6,672,293 |
| All other | | |
| Concrete reinforcing bars: | | |
| Rolled from new billets | 4,124,382 | 4,233,886 |
| Rolled from old materials (rails axles, etc.) | 76,440 | 101,910 |
| Cold-finished bars | 1,569,203 | 1,866,553 |
| Tool-steel bars | 6,505 | 7,482 |
| Pipe and tubes: | | |
| Standard pipe | 2,728,563 | 3,043,293 |
| Line pipe | 2,347,973 | 2,579,937 |
| Oil country goods | 959,810 | 1,088,086 |
| Pressure tubing: | | |
| Seamless | 98,419 | 118,914 |
| Welded | 114,513 | 137,907 |
| Mechanical tubing: | | |
| Seamless | 383,139 | 499,868 |
| Welded | 954,103 | 1,167,958 |
| Miscellaneous | 424,732 | 176,356 |
| Wire: | | |
| Plain wire | 2,203,280 | 2,585,975 |
| Galvanized wire | 288,193 | 306,713 |
| Other coated wire | 202,737 | 168,365 |
| Wire products:[3] | | |
| Nails and staples | 368,268 | 366,422 |
| Barbed and twisted wire | 171,898 | 234,008 |
| Wire fence, woven and welded | 175,585 | 198,872 |
| Bale ties | 82,835 | 80,530 |
| Wire rope and cable | 136,067 | 149,989 |
| Wire strand | 125,818 | r 145,393 |
| Woven wire netting | 129,962 | 128,596 |

| Product[1] | Net shipments[2] 1967 | Net shipments[2] 1966 |
|---|---|---|
| Carbon steel--Continued | | |
| Finished shapes and forms--Continued | | |
| Standard tee rails (over 60 lb. per yard) | 674,129 | 842,655 |
| All other rails (light tee, girder, guard, etc.) | 45,838 | 57,878 |
| Rail joints and tie plates | 196,242 | 258,685 |
| Wheels, rolled (including tires and rims) | 284,161 | 343,504 |
| Other rolled and drawn carbon steel products | 348,699 | 358,354 |
| Alloy steel (except stainless), total | 7,470,936 | 8,326,517 |
| Ingots and semifinished shapes and forms (blooms, billets, slabs, sheet bars, tube rounds, skelp, and wire rods) | 766,482 | 967,521 |
| Finished shapes and forms: | | |
| Plates | } 1,660,052 | 1,764,882 |
| Structural shapes | | |
| Sheet and strip: | | |
| Sheet: | | |
| Hot-rolled | 252,393 | 333,657 |
| Electrical | 357,840 | 368,352 |
| Cold-rolled | 73,300 | 48,363 |
| Strip: | | |
| Cold-rolled | 34,671 | 33,502 |
| Hot-rolled | 48,534 | 54,994 |
| Electrical | 362,497 | 364,058 |
| Bars: | | |
| Hot-rolled | 1,901,444 | 2,338,793 |
| Cold-finished | 228,172 | 267,763 |
| Tool-steel bars: | | |
| High speed | 27,055 | 25,622 |
| Other than high speed | 66,668 | 69,263 |
| Pipe and tubes: | | |
| Oil country goods | 321,357 | 330,726 |
| Pressure tubing | 60,586 | 51,486 |
| Mechanical tubing | 369,004 | 412,335 |
| Line | } 843,056 | 755,835 |
| Standard and miscellaneous | | |
| Wire | 55,430 | 82,477 |
| Other rolled and drawn alloy steel products | 42,395 | 56,886 |
| Stainless steel, total | 850,411 | 944,507 |
| Ingots, and semifinished shapes and forms (blooms, billets, slabs, sheet bars, tube rounds, skelp, and wire rods) | 13,663 | 26,850 |
| Finished shapes and forms: | | |
| Sheet and strip: | | |
| Sheet: | | |
| Hot-rolled | 44,333 | 34,401 |
| Cold-rolled | 186,230 | 196,040 |
| Strip: | | |
| Hot-rolled | 13,054 | 27,803 |
| Cold-rolled | 249,605 | 260,345 |
| Plates | 74,668 | 97,105 |
| Bars: | | |
| Hot-rolled | 51,851 | 58,109 |
| Cold-finished | 102,060 | 113,041 |
| Pipe and tubes: INCLUDES HEAT RESISTING | | |
| Pressure tubing: | | |
| Seamless | 14,067 | 17,008 |
| Welded | 29,444 | 28,780 |
| Mechanical tubing: | | |
| Seamless | 4,185 | 6,332 |
| Welded | 13,166 | 17,153 |
| Wire | 47,090 | 53,162 |
| Other rolled and drawn stainless steel products | 6,995 | 8,378 |

r Revised.

[1] Product codes are listed in tables 4 and 5.

[2] See text for explanation of how net shipments are derived.

[3] Represents wire products produced within steel works and wire drawing establishments. Such establishments accounted for approximately the following percentages of the total quantity of shipments of these products in 1963 based on data from the 1963 Census of Manufactures: Nails and staples, 83 percent; barbed and twisted wire, over 95 percent; woven and welded wire fence, 83 percent; bale ties, 84 percent; and wire rope cable, and strand, 61 percent. Steel works and wire drawing establishments accounted for 85 to 90 percent of the total value of shipments of woven wire netting.

12/26/69

EXPORT CODE NUMBERS TO BECOME EFFECTIVE ON JANUARY 1, 1970, FOR USE ON EXPORT DECLARATIONS

| ITEM | | DESCRIPTION | EXPORT CODE NUMBER |
|---|---|---|---|
| 1. | A. | Carbon Steel Mechanical Tubing, Seamless | 678.2035 |
| | B. | Carbon Steel Mechanical Tubing, Welded | 678.3030 |
| | C. | Carbon Steel Pressure Tubing, Seamless, N.E.C. | 678.2030 |
| | D. | Carbon Steel Pressure Tubing, Welded, N.E.C. | 678.3025 |
| 2. | A. | Alloy Steel Mechanical Tubing, Seamless, Except Stainless Steel | 678.2060 |
| | B. | Alloy Steel Mechanical Tubing, Welded, Except Stainless Steel | 678.3065 |
| | C. | Alloy Steel Pressure Tubing, Seamless, Except Stainless Steel, N.E.C. | 678.2055 |
| | D. | Alloy Steel Tubes and Pipes, Seamless, Except Stainless Steel, N.E.C. | 678.2065 |
| 3. | A. | Stainless Steel Mechanical Tubing, Seamless | 678.2080 |
| | B. | Stainless Steel Tubes and Pipes, Welded, Except Pressure Tubing | 678.3085 |
| | C. | Stainless Steel Pressure Tubing, Seamless, N.E.C. | 678.2075 |
| | D. | Stainless Steel Pressure Tubing, Welded, N.E.C. | 678.3080 |

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Washington, D. C. 20036

Net shipments after deducting shipments to reporting companies

# SHIPMENTS OF STEEL PRODUCTS

## ALL GRADES INCLUDING CARBON, ALLOY AND STAINLESS

(Net Tons)

DECEMBER - 1969

| PRODUCTS | ITEM S | CURRENT MONTH 1969 Carbon | Alloy | Stainless | Total | Percent 1969 | Percent 1968 | YEAR TO DATE * 1969 Carbon | Alloy | Stainless | Total | Percent 1969 | Percent 1968 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ingots and steel castings | 1A | 34,585 | 16,878 | 981 | 52,444 | 0.7 | 0.3 | 315,252 | 177,339 | 7,621 | 500,212 | 0.5 | 0.3 |
| Blooms, slabs, billets, sheet bars | 1B | 449,359 | 42,552 | 4,073 | 495,984 | 6.5 | 6.0 | 3,638,246 | 524,716 | 44,227 | 4,207,189 | 4.5 | 3.5 |
| Tube rounds | 1C | 877 | 90 | 1 | 968 | - | - | 28,149 | 7,156 | 84 | 35,389 | 0.1 | - |
| Skelp | 2 | 43 | - | - | 43 | - | - | 7,343 | - | - | 7,343 | - | - |
| Wire rods | 3 | 150,824 | 2,933 | 658 | 154,415 | 2.0 | 1.6 | 1,565,454 | 47,241 | 10,133 | 1,622,828 | 1.7 | 1.4 |
| Total Semi-Finished | | 635,688 | 62,453 | 5,713 | 703,854 | 9.2 | 7.9 | 5,554,444 | 756,452 | 62,065 | 6,372,961 | 6.8 | 5.2 |
| Structural shapes (heavy) | 4 | 433,754 | 43,248 | 45 | 477,047 | 6.2 | 6.1 | 5,264,325 | 501,451 | 127 | 5,765,903 | 6.1 | 6.1 |
| Steel piling | 5 | 37,092 | 5,329 | - | 42,421 | 0.6 | 0.5 | 442,896 | 34,706 | - | 477,602 | 0.5 | 0.6 |
| Plates | 6 | 552,705 | 102,968 | 5,909 | 661,582 | 8.7 | 8.6 | 7,014,418 | 1,156,438 | 67,316 | 8,238,172 | 8.8 | 9.1 |
| Total Shapes and Plates | | 1,023,551 | 151,545 | 5,954 | 1,181,050 | 15.5 | 15.2 | 12,721,639 | 1,692,595 | 67,443 | 14,481,677 | 15.4 | 15.8 |
| Rails-Standard (over 60 lbs.) | 7 | 76,451 | - | - | 76,451 | 1.0 | 1.1 | 775,581 | - | - | 775,581 | 0.8 | 0.8 |
| -All other | 8 | 2,699 | - | - | 2,699 | - | 0.1 | 54,140 | - | - | 54,140 | - | 0.1 |
| Joint bars | 9 | 1,408 | - | - | 1,408 | - | - | 26,858 | - | - | 26,858 | - | - |
| Tie plates | 10 | 10,955 | - | - | 10,955 | 0.1 | 0.1 | 161,867 | - | - | 161,867 | 0.2 | 0.2 |
| Track spikes | 11 | 5,435 | - | - | 5,435 | 0.1 | 0.1 | 73,999 | - | - | 73,999 | 0.1 | 0.1 |
| Wheels (rolled and forged) | 12 | 21,227 | 167 | - | 21,394 | 0.3 | 0.3 | 251,954 | 2,976 | - | 254,930 | 0.3 | 0.3 |
| Axles | 13 | 13,918 | 10 | - | 13,928 | 0.2 | 0.2 | 166,476 | 70 | - | 166,546 | 0.2 | 0.3 |
| Total Rails and Accessories | | 131,193 | 177 | - | 131,370 | 1.7 | 1.9 | 1,510,875 | 3,046 | - | 1,513,921 | 1.6 | 1.6 |
| Bars-Hot rolled (incl. light shapes) | 14 | 532,805 | 165,776 | 4,370 | 702,951 | 9.2 | 8.7 | 6,441,068 | 2,168,523 | 49,454 | 8,659,045 | 9.2 | 9.3 |
| -Reinforcing | 15 | 290,870 | - | - | 290,870 | 3.8 | 3.5 | 3,658,559 | - | - | 3,658,559 | 3.9 | 3.5 |
| -Cold finished | 16 | 112,524 | 21,468 | 8,403 | 142,395 | 1.9 | 2.0 | 1,567,091 | 253,953 | 101,812 | 1,922,856 | 2.1 | 2.0 |
| Tool steel | 17 | - | 9,725 | - | 9,725 | 0.1 | 0.1 | - | 111,921 | - | 111,921 | 0.1 | 0.1 |
| Total Bars and Tool Steel | | 936,199 | 196,969 | 12,773 | 1,145,941 | 15.0 | 14.3 | 11,666,718 | 2,536,397 | 151,266 | 14,354,381 | 15.3 | 14.9 |
| Standard pipe | 18 | 213,793 | 125 | - | 213,918 | 2.8 | 2.9 | 2,835,334 | 1,344 | - | 2,836,678 | 3.0 | 3.0 |
| Oil country goods | 19 | 105,360 | 34,868 | - | 140,228 | 1.8 | 1.7 | 1,035,697 | 364,373 | - | 1,400,070 | 1.5 | 1.6 |
| Line pipe | 20 | 104,836 | 84,477 | - | 189,313 | 2.5 | 3.4 | 2,004,115 | 924,873 | - | 2,928,988 | 3.1 | 4.2 |
| Mechanical tubing | 21A | 65,824 | 34,400 | - | 100,224 | 1.3 | 1.5 | 871,174 | 418,728 | - | 1,289,902 | 1.4 | 1.3 |
| Pressure tubing | 21B | 13,021 | 4,973 | - | 17,994 | 0.2 | 0.3 | 189,587 | 52,443 | - | 242,030 | 0.3 | 0.3 |
| Structural pipe and tubing | 22 | 34,861 | 160 | - | 35,021 | 0.5 | 0.6 | 505,041 | 1,757 | - | 506,798 | 0.5 | 0.6 |
| Stainless pipe and tubing | -- | - | - | 2,573 | 2,573 | - | - | - | - | 27,866 | 27,866 | - | - |
| Total Pipe and Tubing | | 537,695 | 159,003 | 2,573 | 699,271 | 9.1 | 10.4 | 7,440,948 | 1,763,518 | 27,866 | 9,232,332 | 9.8 | 11.0 |
| Wire-Drawn | 23 | 191,336 | 1,698 | 1,932 | 194,966 | 2.5 | 2.8 | 2,602,016 | 26,869 | 25,390 | 2,654,275 | 2.8 | 2.9 |
| -Nails and staples | 24 | 19,964 | - | - | 19,964 | 0.3 | 0.4 | 310,834 | - | - | 310,834 | 0.4 | 0.4 |
| -Barbed and twisted | 25 | 3,849 | - | - | 3,849 | - | 0.2 | 77,479 | - | - | 77,479 | 0.1 | 0.2 |
| -Woven wire fence | 26 | 4,980 | - | - | 4,980 | 0.1 | 0.1 | 104,716 | - | - | 104,716 | 0.1 | 0.1 |
| -Bale ties and baling wire | 27 | 6,543 | - | - | 6,543 | 0.1 | - | 108,596 | - | - | 108,596 | 0.1 | 0.1 |
| Total Wire and Wire Products | | 226,672 | 1,698 | 1,932 | 230,302 | 3.0 | 3.5 | 3,203,641 | 26,869 | 25,390 | 3,255,900 | 3.5 | 3.7 |
| Black plate | 2* | 48,348 | - | - | 48,348 | 0.6 | 0.5 | 568,098 | - | - | 568,098 | 0.6 | 0.5 |
| Tin plate - Electrolytic and Hot Dipped | 29 | 482,555 | - | - | 482,555 | 6.3 | 4.1 | 5,318,575 | - | - | 5,318,575 | 5.7 | 6.8 |
| Tin Free steel | 29A | 62,898 | - | - | 62,898 | 0.8 | 0.3 | 592,203 | - | - | 592,203 | 0.6 | 0.5 |
| Tin Mill products - All other | 30 | 4,415 | - | - | 4,415 | 0.1 | | 75,967 | - | - | 75,967 | 0.1 | |
| Total Tin Mill Products | | 598,216 | - | - | 598,216 | 7.8 | 4.9 | 6,554,843 | - | - | 6,554,843 | 7.0 | 7.9 |
| Sheets-Hot rolled | 31 | 986,166 | 25,719 | 3,593 | 1,015,478 | 13.3 | 14.9 | 12,102,305 | 330,124 | 38,578 | 12,471,007 | 13.3 | 11.7 |
| -Cold rolled | 32 | 1,236,678 | 3,899 | 19,658 | 1,260,235 | 16.5 | 16.7 | 16,169,496 | 34,245 | 223,611 | 16,427,352 | 17.5 | 17.8 |
| Sheets & strip-Galvanized (hot dipped) | 33A | 331,254 | 284 | - | 331,538 | 4.3 | 5.2 | 4,708,217 | 5,094 | - | 4,713,311 | 5.0 | 5.3 |
| -Galvanized (electrolytic) | 33B | 23,346 | - | - | 23,346 | 0.3 | 0.3 | 325,222 | - | - | 325,222 | 0.3 | 0.4 |
| -All other metallic coated | 34 | 48,215 | - | - | 48,215 | 0.6 | 0.6 | 608,499 | - | - | 608,499 | 0.6 | 0.7 |
| Electrical sheets and strip | 35 | 7,852 | 45,600 | - | 53,452 | 0.7 | 0.7 | 90,545 | 634,074 | - | 724,619 | 0.8 | 0.7 |
| Strip-Hot rolled | 36 | 116,664 | 2,952 | 2,767 | 122,383 | 1.6 | 1.7 | 1,393,844 | 43,422 | 29,404 | 1,466,670 | 1.6 | 1.7 |
| -Cold rolled | 37 | 83,837 | 3,013 | 22,337 | 109,187 | 1.4 | 1.8 | 1,054,748 | 35,598 | 283,830 | 1,374,176 | 1.5 | 1.6 |
| Total Sheets and Strip | | 2,834,012 | 81,467 | 48,355 | 2,963,834 | 38.7 | 41.9 | 36,452,876 | 1,082,557 | 575,423 | 38,110,856 | 40.6 | 39.9 |
| TOTAL SHIPMENTS - 1969 | | 6,923,226 | 653,312 | 77,300 | 7,653,838 | 100.0 | xxx | 85,105,984 | 7,861,434 | 909,453 | 93,876,871 | 100.0 | xxx |
| Total Shipments - Prior Year - 1968 | | 5,686,166 | 572,611 | 61,246 | 6,320,023 | xxx | 100.0 | 83,221,246 | 7,815,606 | 819,042 | 91,855,894 | xxx | 100.0 |

* Revised

1/29/70

1946

AMERICAN IRON AND STEEL INSTITUTE
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Washington, D. C. 20036



## SHIPMENTS OF STEEL TUBULAR PRODUCTS
## ALL GRADES INCLUDING CARBON, ALLOY AND STAINLESS
(Net Tons)

DECEMBER - 1969

| Tubular Products | CURRENT MONTH: Total Shipments | Shipments To Reporting Companies | Net Shipments | Exports | Net Shipments for Use in U.S.A. | YEAR TO DATE (X): Total Shipments | Shipments To Reporting Companies | Net Shipments | Exports | Net Shipments For Use in U.S.A. |
|---|---|---|---|---|---|---|---|---|---|---|
| **Seamless:** | | | | | | | | | | |
| Standard pipe | 71,450 | 1,602 | 69,848 | 3,340 | 66,508 | 943,903 | 29,860 | 914,043 | 28,204 | 885,839 |
| Oil country goods | 129,522 | 7,194 | 122,328 | 14,517 | 107,811 | 1,273,262 | 61,468 | 1,211,794 | 85,151 | 1,126,643 |
| Line pipe | 17,419 | 262 | 17,157 | 464 | 16,693 | 350,738 | 4,658 | 346,080 | 26,907 | 319,173 |
| Mechanical tubing | 63,742 | 1,207 | 62,535 | 1,246 | 61,289 | 785,449 | 16,122 | 769,327 | 11,325 | 758,002 |
| Pressure tubing | 12,235 | - | 12,235 | 353 | 11,882 | 154,479 | 210 | 154,269 | 3,320 | 150,949 |
| Structural pipe & tubing / Pipe for piling | 8,089 | - | 8,089 | - | 8,089 | 115,588 | - | 115,588 | 1,486 | 114,102 |
| Stainless pipe & tubing | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| Total | 302,457 | 10,265 | 292,192 | 19,920 | 272,272 | 3,623,419 | 112,318 | 3,511,101 | 156,393 | 3,354,708 |
| **Continuous Weld: (*)** | | | | | | | | | | |
| Standard pipe | 131,235 | 5,084 | 126,151 | 1,667 | 124,484 | 1,746,127 | 58,292 | 1,687,835 | 16,177 | 1,671,658 |
| Oil country goods | 905 | - | 905 | - | 905 | 11,326 | - | 11,326 | - | 11,326 |
| Line pipe | 14,035 | 95 | 13,940 | - | 13,940 | 259,800 | 684 | 259,116 | 315 | 258,801 |
| Structural pipe & tubing | 6,484 | 40 | 6,444 | 8 | 6,436 | 87,768 | 470 | 87,298 | 189 | 87,109 |
| Pipe for piling | - | - | - | - | - | - | - | - | - | - |
| Total | 152,659 | 5,219 | 147,440 | 1,675 | 145,765 | 2,105,021 | 59,446 | 2,045,575 | 16,681 | 2,028,894 |
| **Electricweld:** | | | | | | | | | | |
| Standard pipe | 18,224 | 305 | 17,919 | - | 17,919 | 239,907 | 5,107 | 234,800 | 2,334 | 232,466 |
| Oil country goods | 16,900 | - | 16,900 | 40 | 16,860 | 175,535 | - | 175,535 | 555 | 174,980 |
| Line pipe | 157,917 | 81 | 157,836 | 642 | 157,194 | 2,315,163 | 6,986 | 2,308,177 | 23,263 | 2,284,914 |
| Mechanical tubing | 34,891 | 63 | 34,828 | 324 | 34,504 | 487,991 | 852 | 487,139 | 6,460 | 480,679 |
| Pressure tubing | 4,602 | 55 | 4,547 | 11 | 4,536 | 70,716 | 179 | 70,537 | 944 | 69,593 |
| Structural pipe & tubing | 4,044 | - | 4,044 | 601 | 3,443 | 97,467 | 26 | 97,441 | 1,678 | 95,763 |
| Pipe for piling | 12,917 | - | 12,917 | - | 12,917 | 150,291 | - | 150,291 | 5,031 | 145,260 |
| Stainless pipe & tubing | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| Total | 249,495 | 504 | 248,991 | 1,618 | 247,373 | 3,537,070 | 13,150 | 3,523,920 | 40,265 | 3,483,655 |
| **Lapweld, Gaswold & Spiralweld:** | | | | | | | | | | |
| Standard pipe / Oil country goods / Mechanical tubing, and Pressure / Line pipe / Structural pipe & tubing / Pipe for piling | 8,075 | - | 8,075 | - | 8,075 | 123,870 | - | 123,870 | - | 123,870 |
| Total | 8,075 | - | 8,075 | - | 8,075 | 123,870 | - | 123,870 | - | 123,870 |
| **Total:** | | | | | | | | | | |
| Standard pipe | 220,909 | 6,991 | 213,918 | 5,007 | 208,911 | 2,929,937 | 93,259 | 2,836,678 | 46,715 | 2,789,963 |
| Oil country goods | 147,422 | 7,194 | 140,228 | 14,557 | 125,671 | 1,461,538 | 61,468 | 1,400,070 | 85,706 | 1,314,364 |
| Line pipe, 16" and under | 88,155 | 438 | 87,717 | 967 | 86,750 | 1,458,698 | 7,780 | 1,450,918 | 32,300 | 1,418,618 |
| Line pipe, over 16" | 101,596 | - | 101,596 | 139 | 101,457 | 1,482,618 | 4,548 | 1,478,070 | 17,998 | 1,460,072 |
| Mechanical tubing | 101,494 | 1,270 | 100,224 | 1,570 | 98,654 | 1,306,876 | 16,974 | 1,289,902 | 17,972 | 1,271,930 |
| Pressure tubing | 18,049 | 55 | 17,994 | 364 | 17,630 | 242,419 | 389 | 242,030 | 4,264 | 237,766 |
| Structural pipe & tubing | 16,860 | 40 | 16,820 | 609 | 16,211 | 262,928 | 496 | 262,432 | 2,077 | 260,355 |
| Pipe for piling | 18,201 | - | 18,201 | - | 18,201 | 244,366 | - | 244,366 | 6,307 | 238,059 |
| Stainless pipe & tubing | 2,611 | 38 | 2,573 | 90 | 2,483 | 28,478 | 612 | 27,866 | 417 | 27,449 |
| GRAND TOTAL - 1969 | 715,297 | 16,026 | 699,271 | 23,303 | 675,968 | 9,417,858 | 185,526 | 9,232,332 | 213,756 | 9,018,576 |
| Total - Prior Year - 1968 | 668,574 | 11,978 | 656,596 | 20,183 | 636,413 | 10,256,835 | 178,370 | 10,078,465 | 225,579 | 9,852,886 |

(*) Includes Mechanical Tubing. (X) Revised NOTE: Stainless Pipe and Tubing tonnages included only in Grand Totals

2/2/70

## TABLE 24—NET SHIPMENTS OF STEEL TUBULAR PRODUCTS—ALL GRADES (INCLUDING CARBON, ALLOY AND STAINLESS)

(Net tons)

| Process and Class | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Seamless:** | | | | | | | | | | |
| Standard | 855,610 | 718,025 | 738,929 | 679,228 | 541,612 | 523,915 | 466,674 | 430,597 | 432,537 | 330,179 |
| Oil country goods | 1,279,574 | 1,143,568 | 1,199,128 | 1,333,665 | 1,418,056 | 1,301,863 | 1,296,931 | 1,274,662 | 990,063 | 1,575,602 |
| Line | 499,491 | 446,784 | 548,746 | 499,704 | 544,272 | 405,857 | 430,213 | 434,431 | 448,756 | 424,499 |
| Mechanical | 714,142 | 655,805 | 774,523 | 732,489 | 643,212 | 517,589 | 512,057 | 437,498 | 462,998 | 599,586 |
| Pressure | 154,280 | 163,534 | 180,885 | 184,588 | 161,418 | 149,000 | 148,331 | 168,226 | 187,370 | 176,905 |
| Structural } Pipe for piling | 123,453 | 67,533 | 79,081 | 83,071 | 82,265 | ... | ... | ... | ... | ... |
| | | 38,273 | ... | ... | ... | ... | ... | ... | ... | ... |
| Total | 3,626,550 | 3,233,522 | 3,521,292 | 3,512,745 | 3,390,835 | 2,898,224 | 2,854,206 | 2,745,414 | 2,521,724 | 3,106,771 |
| **Buttweld:** † | | | | | | | | | | |
| Standard | 1,659,116 | 1,845,559 | 1,699,067 | 1,640,766 | 1,549,109 | 1,468,886 | 1,415,062 | 1,466,892 | 1,572,478 | 1,753,595 |
| Oil country goods | 11,558 | 9,924 | 8,161 | 12,092 | 13,799 } | 381,653 | 375,588 | 353,881 | 301,633 | 322,931 |
| Line | 320,339 | 311,227 | 364,001 | 360,827 | 360,899 | | | | | |
| Structural | 103,731 | 84,492 | 85,454 | 78,921 | 61,849 | ... | ... | ... | ... | ... |
| Pipe for piling | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Total | 2,094,744 | 2,251,202 | 2,156,683 | 2,092,606 | 1,985,656 | 1,850,539 | 1,790,650 | 1,820,773 | 1,874,111 | 2,076,526 |
| **Electricweld:** | | | | | | | | | | |
| Standard | 211,230 | 148,915 | 296,231 | 192,973 | 173,540 | 218,075 | 183,236 | 163,888 | 126,077 | 125,211 |
| Oil country goods | 188,987 | 184,857 | 202,955 | 225,223 | 201,556 | 173,867 | 188,206 | 226,179 | 194,578 | 472,127 |
| Line | 2,985,626 | 2,300,875 | 2,151,152 | 1,842,735 | 1,652,963 | 1,414,026 | 1,608,567 | 1,709,251 | 1,897,895 | 1,990,207 |
| Mechanical | 470,365 | 367,975 | 417,357 | 367,798 | 334,659 | 283,082 | 277,277 | 222,883 | 269,425 | 339,539 |
| Pressure | 71,066 | 78,760 | 150,760 | 141,769 | 126,520 | 99,473 | 99,732 | 88,118 | 83,882 | 83,711 |
| Structural | 100,460 | 99,393 | 207,433 | 191,586 | 149,351 | ... | ... | ... | ... | ... |
| Pipe for piling | 175,794 | 138,010 | ... | ... | ... | ... | ... | ... | ... | ... |
| Total | 4,203,528 | 3,318,785 | 3,425,888 | 2,962,084 | 2,638,589 | 2,188,523 | 2,357,018 | 2,410,319 | 2,571,857 | 3,010,795 |
| **Lapweld, Gasweld and Spiralweld:** | | | | | | | | | | |
| Standard, oil country goods and mechanical } Line } Structural } Pipe for piling | 127,552 | 129,044 | 128,938 | 121,855 | 121,704 | 4,982 | 5,632 | 5,897 | 9,441 | 17,691 |
| | | | | | | 100,695 | 95,746 | 84,363 | 75,291 | 98,899 |
| | | | | | | ... | ... | ... | ... | ... |
| | | | | | | ... | ... | ... | ... | ... |
| Total | 127,552 | 129,044 | 128,938 | 121,855 | 121,704 | 105,677 | 101,378 | 90,260 | 84,732 | 116,590 |
| Standard | 2,725,956 | 2,712,499 | 2,734,227 | 2,512,967 | 2,264,266 | 2,210,879 | 2,064,985 | 2,061,494 | 2,131,697 | 2,210,524 |
| Oil country goods | 1,482,964 | 1,339,772 | 1,413,023 | 1,573,696 | 1,636,508 | 1,494,493 | 1,502,736 | 1,521,701 | 1,197,134 | 2,066,661 |
| Line, under 16" | 1,746,536 | 1,202,927 | 1,561,763 | 1,579,926 | 1,580,356 | 1,402,151 } | 2,473,221 | 2,544,216 | 2,689,759 | 2,802,537 |
| 16" and over | 2,092,228 | 1,891,993 | 1,547,961 | 1,197,589 | 1,053,775 | 857,596 | | | | |
| Mechanical | 1,219,970 | 1,051,711 | 1,224,050 | 1,132,992 | 1,008,698 | 829,371 | 814,247 | 683,011 | 762,582 | 970,344 |
| Pressure | 241,558 | 260,291 | 331,645 | 326,357 | 287,938 | 248,473 | 248,063 | 256,344 | 271,252 | 260,616 |
| Structural | 283,224 | 251,418 | 420,132 | 365,763 | 305,243 | ... | ... | ... | ... | ... |
| Pipe for piling | 259,938 | 221,942 | ... | ... | ... | ... | ... | ... | ... | ... |
| Stainless | 26,091 | 36,481 | | | | (Included in totals above) | | | | |
| GRAND TOTAL | 10,078,465 | 8,969,034 | 9,232,801 | 8,689,290 | 8,136,784 | 7,042,963 | 7,103,252 | 7,066,766 | 7,052,424 | 8,310,682 |

† Includes mechanical tubing.
Similar data not available prior to 1956.
NOTE: Stainless pipe and tubing tonnages not available by process or class after 1966.

IMPORTS—RELATED CARBON STEEL TUBULAR PRODUCTS

[In tons]

| TSUSA | Welded 610.32.10 610.32.30 | Seamless 610.48.00 | Seamless 610.49.00 | Seamless 610.35.00 |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1964 | 482,443 | 976 | 51,376 | 52 |
| 1965 | 503,948 | 837 | 66,500 | 18 |
| 1966 | 536,476 | 492 | 82,390 | 104 |
| 1967 | 531,077 | 340 | 93,265 | 91 |
| 1968 | 654,961 | 650 | 112,635 | 199 |
| 1969 | 642,250 | 607 | 109,353 | 129 |

(1) All welded pipe and tubing 0.375/4.500'' OD
(2) Hollow bar
(3) Pipe and tubing not oil country
(4) Bearing tubing

Specialty carbon steel tubing makes up only a part of the total of quantity shown in categories 1 and 3.

IMPORTS—RELATED ALLOY STEEL TUBULAR PRODUCTS

[In tons]

| TSUSA | Seamless 610.51.60 | Seamless 610.52.60 | Seamless 610.46.00 |
|---|---|---|---|
| | (1) | (2) | (3) |
| 1964 | 572 | 2,164 | 2,985 |
| 1965 | 1,028 | 4,169 | 6,321 |
| 1966 | 988 | 9,404 | 8,158 |
| 1967 | 1,056 | 13,824 | 11,086 |
| 1968 | 1,116 | 14,434 | 14,936 |
| 1969 | 912 | 14,077 | 15,696 |

(1) Hollow bar
(2) Pipe and tubing
(3) Bearing tubing

All of this material can be specialty tubing.

IMPORTS—RELATED STAINLESS AND HEAT-RESISTING STEEL TUBULAR PRODUCTS

[In tons]

| TSUSA | Welded 610.37.20 | Seamless 610.51.30 | Seamless 610.52.30 |
|---|---|---|---|
| | (1) | (2) | (3) |
| 1964 | 202 | 94 | 2,011 |
| 1965 | 449 | 36 | 3,554 |
| 1966 | 1,456 | 539 | 3,593 |
| 1967 | 2,346 | 1,578 | 5,688 |
| 1968 | 3,278 | 727 | 5,964 |
| 1969 | 5,082 | 261 | 7,668 |

(1) Tubing and pipe (0.375/4.500" OD)—Called alloy by TSUSA—most, if not all is stainless.
(2) Hollow bar
(3) Tubing and pipe

All of this material can be specialty tubing.

IMPORTS—ALLOY, HEAT RESISTING AND STAINLESS STEEL TUBULAR PRODUCTS

The attached report is based on data obtained from AISI Import report AIS 5. These, in turn, we know are developed from data obtained from the U.S. Department of Commerce. The report covers the period 1965–1969 for the following Tariff Schedule classifications:

*Welded:*

610.35.00 Alloy (stainless) under 0.25" OD
610.36.00 Alloy (stainless) 0.25" to 0.375" OD
610.37.20 Alloy (stainless) 0.375" through 4.500" OD
610.37.40 Alloy (stainless) over 4.500" through 16.00" OD
610.37.60 Alloy (stainless) over 16.00" OD

*Seamless:*

610.40.00 Alloy oil country goods not threaded
610.43.00 Alloy oil country goods threaded
610.46.00 Alloy bearing tubing
610.51.30 Stainless and heat resisting hollow bars
610.51.60 Alloy hollow bars
610.52.30 Stainless and heat resisting pipe and tubing
610.52.60 Alloy steel pipe and tubing

IMPORTS OF ALLOY AND STAINLESS PIPE AND TUBING PRODUCTS, BY COUNTRIES, FROM 1965 THROUGH 1969

[Net tons and percentages]

| Country of origin | 1965 | 1966 | 1967 | 1968 | 1969 | Percent of 1969 total | 5-year total | Percent of 5-year total |
|---|---|---|---|---|---|---|---|---|
| United Kingdom | 1,417 | 1,009 | 1,576 | 3,029 | 4,637 | 9.2 | 11,668 | 6.3 |
| France | 964 | 913 | 585 | 220 | 427 | .9 | 3,109 | 1.7 |
| Sweden | 4,071 | 3,528 | 6,334 | 7,706 | 7,362 | 14.6 | 29,001 | 15.7 |
| Japan | 6,857 | 14,678 | 21,042 | 18,973 | 20,265 | 40.2 | 81,815 | 44.3 |
| West Germany | 2,312 | 4,117 | 5,283 | 7,773 | 7,758 | 15.4 | 27,243 | 14.7 |
| Canada | 881 | 3,520 | 2,807 | 5,880 | 7,198 | 14.3 | 20,286 | 11.0 |
| Argentina | 667 | | 553 | 1,048 | | | 2,268 | 1.2 |
| Belgium-Luxembourg | 521 | 442 | 552 | 101 | 184 | .4 | 1,800 | 1.0 |
| Austria | 38 | 40 | 39 | 246 | 215 | .4 | 578 | .3 |
| Italy | 42 | 116 | 1,139 | 976 | 812 | 1.6 | 3,085 | 1.7 |
| All other countries | 475 | 669 | 799 | 493 | 1,501 | 3.0 | 3,937 | 2.1 |
| Total | 18,245 | 29,032 | 40,709 | 46,445 | 50,359 | 100.0 | 184,790 | 100.0 |
| Percent [1] | | +59.1 | +123.1 | +154.6 | +176.0 | | | |

[1] Increase (+) or decrease (−) from base year 1965.

Source: AIS Imports 5 Report.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM ARGENTINA BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | | | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | | | | | | | |
| 610.37.40 | | | | | | | |
| 610.37.60 | | | | | | | |
| 610.40.00 | | | | | | | |
| 610.43.00 | 541 | | 553 | 785 | | | |
| 610.46.00 | | | | | | | |
| 610.51.30 | | | | | | | |
| 610.51.60 | | | | | | | |
| 610.52.30 | 123 | | | | | | |
| 610.52.60 | 3 | | | 263 | | | |
| Total | 667 | | 553 | 1,048 | | | |
| Percent [1] | | | −17.1 | +157.1 | | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI monthly report of imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM AUSTRIA BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | | | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | | | | | | | |
| 610.37.40 | | | | | | | |
| 610.37.60 | | | | | | | |
| 610.40.00 | | | | | | | |
| 610.43.00 | | | | | | | |
| 610.46.00 | | | | | | | |
| 610.51.30 | 12 | 27 | 17 | 55 | 39 | | |
| 610.51.60 | 26 | 13 | 22 | 1 | 3 | | |
| 610.52.30 | | | | 180 | 142 | | |
| 610.52.60 | | | | 10 | 31 | | |
| Total | 38 | 40 | 39 | 246 | 215 | | |
| Percent [1] | | +5.3 | +2.6 | +647.4 | +565.8 | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI monthly report of imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM BELGIUM-LUXEMBOURG BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | 40 | 3 | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | | | | | | | |
| 610.37.40 | | | | | | | |
| 610.37.60 | | | | | | | |
| 610.40.00 | | | | | | | |
| 610.43.00 | 495 | 430 | 512 | | | | |
| 610.46.00 | | | | 64 | | | |
| 610.51.30 | | | | | | | |
| 610.51.60 | | | | | | | |
| 610.52.30 | 26 | | | | | | |
| 610.52.60 | | 12 | | 34 | 184 | | |
| Total | 521 | 442 | 552 | 101 | 184 | | |
| Percent [1] | | 15.2 | +106.0 | −80.7 | −64.7 | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI monthly report of imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM CANADA BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | | | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | 4 | 43 | 21 | 34 | 195 | | |
| 610.37.40 | 25 | 62 | 103 | 227 | 413 | | |
| 610.37.60 | | | 25 | 43 | 129 | | |
| 610.40.00 | | 67 | 111 | 1,192 | 3,006 | | |
| 610.43.00 | | 2,006 | 776 | 2,724 | 1,899 | | |
| 610.46.00 | | | 26 | 18 | 16 | | |
| 610.51.30 | 5 | 389 | 1,316 | 537 | 133 | | |
| 610.51.60 | 350 | 451 | 253 | 478 | 354 | | |
| 610.52.30 | | 5 | 14 | 96 | 170 | | |
| 610.52.60 | 497 | 497 | 162 | 531 | 883 | | |
| Total | 881 | 3,520 | 2,807 | 5,880 | 7,198 | | |
| Percent [1] | | +399.5 | +318.6 | +667.4 | +817.0 | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI monthly report of imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM FRANCE BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | | | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | | | 30 | | 49 | | |
| 610.37.40 | | | | | | | |
| 610.37.60 | | | | | | | |
| 610.40.00 | | | 57 | | | | |
| 610.43.00 | 650 | 882 | 17 | | | | |
| 610.46.00 | | | 1 | | | | |
| 610.51.30 | | | | | | | |
| 610.51.60 | | | | 1 | | | |
| 610.52.30 | 258 | 30 | 73 | 176 | 193 | | |
| 610.52.60 | 56 | 1 | 407 | 43 | 185 | | |
| Total | 964 | 913 | 585 | 220 | 427 | | |
| Percent [1] | | −5.3 | −39.3 | −77.2 | −55.7 | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI monthly report of imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM ITALY BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | | | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | | | | | | | |
| 610.37.40 | | | | | | | |
| 610.37.60 | | | | | | | |
| 610.40.00 | | | | | | | |
| 610.43.00 | | 116 | 169 | | | | |
| 610.46.00 | | | | | | | |
| 610.51.30 | | | | | | | |
| 610.51.60 | | | | 35 | | | |
| 610.52.30 | | | | 4 | 8 | | |
| 610.52.60 | 42 | | 970 | 937 | 804 | | |
| Total | 42 | 116 | 1,339 | 976 | 812 | | |
| Percent [1] | | +276.2 | +2,711.9 | +2,323.8 | +1,933.3 | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI monthly report of imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM JAPAN BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | | | | | |
| 610.36.00 | | | | 8 | 3 | | |
| 610.37.20 | 417 | 1,412 | 1,820 | 2,625 | 4,493 | | |
| 610.37.40 | | 329 | 34 | 60 | 48 | | |
| 610.37.60 | | | 1,236 | 6 | 3 | | |
| 610.40.00 | 6 | 24 | 4 | 93 | 2 | | |
| 610.43.00 | 597 | 724 | 1,064 | 590 | 549 | | |
| 610.46.00 | 42 | 567 | 1,816 | 2,455 | 1,969 | | |
| 610.51.30 | | 1 | | 25 | 6 | | |
| 610.51.60 | | 10 | 140 | 37 | 10 | | |
| 610.52.30 | 2,279 | 3,076 | 3,404 | 2,938 | 4,935 | | |
| 610.52.60 | 3,516 | 8,535 | 11,524 | 10,136 | 8,247 | | |
| Total | 6,857 | 14,678 | 21,042 | 18,973 | 20,265 | | |
| Percent [1] | | +214.1 | +306.9 | +276.7 | +295.5 | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI monthly report of imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM SWEDEN BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | | | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | | | | 40 | 98 | | |
| 610.37.40 | | | | 4 | | | |
| 610.37.60 | | | | | | | |
| 610.40.00 | | | | 20 | | | |
| 610.43.00 | | | | | | | |
| 610.46.00 | 3,749 | 3,207 | 4,439 | 5,406 | 5,690 | | |
| 610.51.30 | 12 | 2 | 15 | 126 | 79 | | |
| 610.51.60 | 47 | 91 | 79 | 58 | 94 | | |
| 610.52.30 | 263 | 224 | 1,787 | 1,962 | 1,334 | | |
| 610.52.60 | | 4 | 14 | 90 | 67 | | |
| Total | 4,071 | 3,528 | 6,334 | 7,706 | 7,362 | | |
| Percent [1] | | −13.3 | +155.6 | +189.3 | +180.8 | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI Monthly Report of Imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM UNITED KINGDOM BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | 78 | 1 | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | 3 | 1 | 414 | 382 | 223 | | |
| 610.37.40 | | | | 4 | 2 | | |
| 610.37.60 | | | | 9 | | | |
| 610.40.00 | | | 53 | 1 | | | |
| 610.43.00 | | | 9 | | | | |
| 610.46.00 | 499 | 393 | 103 | 267 | 2,153 | | |
| 610.51.30 | 4 | 93 | 121 | | 2 | | |
| 610.51.60 | 607 | 346 | 551 | 451 | 355 | | |
| 610.52.30 | 303 | 173 | 194 | 253 | 303 | | |
| 610.52.60 | 1 | 3 | 53 | [1] 1,661 | 1,599 | | |
| Total | 1,417 | 1,009 | 1,576 | 3,029 | 4,637 | | |
| Percent [2] | | −28.2 | +111.2 | +213.8 | +327.2 | | |

[1] Includes 1,269 tons of material at approximately $0.05 per pound. Presumed to be not alloy.
[2] Increase (+) or decrease (−) from base year of 1965.

Source: AISI monthly report of imports.

IMPORTS OF PIPE AND TUBING PRODUCTS FROM WEST GERMANY BY YEARS—ALLOY AND STAINLESS ONLY

[In net tons]

| Commodity class | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
|---|---|---|---|---|---|---|---|
| 610.35.00 | | | | | | | |
| 610.36.00 | | | | | | | |
| 610.37.20 | | | 34 | 68 | | | |
| 610.37.40 | | | 39 | | | | |
| 610.37.60 | | | | | | | |
| 610.40.00 | | | | | | | |
| 610.43.00 | 105 | | | | 1 | | |
| 610.46.00 | 1,980 | 3,828 | 4,440 | 6,651 | 5,867 | | |
| 610.51.30 | | 1 | 20 | | | | |
| 610.51.60 | | 2 | 29 | 42 | 99 | | |
| 610.52.30 | 173 | 37 | 143 | 328 | 552 | | |
| 610.52.60 | 54 | 249 | 578 | 684 | 1,239 | | |
| Total | 2,312 | 4,117 | 5,283 | 7,773 | 7,758 | | |
| Percent [1] | | +178.1 | +228.5 | +336.2 | +335.6 | | |

[1] Increase (+) or decrease (−) from base year of 1965.

Source: AISI Monthly Report of Imports.

STATEMENT OF J. A. MOGLE, CHAIRMAN, FOREIGN TRADE COMMITTEE, FINE AND SPECIALTY WIRE MANUFACTURERS' ASSOCIATION

SUMMARY

1. Twenty five year history of steel wire exports vs. imports showing the loss of a thriving export business on one hand and a 50 fold increase in imports on the other.
2. Reasons for this turn of events:
   Lowered U.S. Tariffs.
   Higher U.S. Wages
   High Labor Content of Steel Wire.
3. Effect of current policies on potential new industries and job opportunities.
4. Need for effective legislation.
   Fair International Trade Act.

This statement is filed on behalf of the domestic producers of fine and specialty carbon steel wire through their trade association, the Fine and Specialty Wire Manufacturers' Association. This Association is composed of 18 member companies who account for more than 75% of the fine and specialty steel wire produced in the United States. Manufacturing facilities of these 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. Our group should not be confused with "The Independent Wiredrawers Association," an entirely different trade association, whose problems and views do not necessarily coincide with ours.

We have requested the opportunity to address you during this hearing on "Tariff and Trade Proposals" because of our concern about the effects on our industry of past U.S. foreign trade policy. Despite a growing domestic market for our wire, we find ourselves producing an ever smaller percentage of it. Best estimates are that in the last fifteen years our share of the American market has decreased from 98% to approximately 72%. This trend is continuing despite a decrease in the import level of general steel items. In 1969 the tonnage figures for steel wire imports was almost identical to those for 1968, but the dollar value figures increased by more than $1,000,000 just on the items made by our membership.

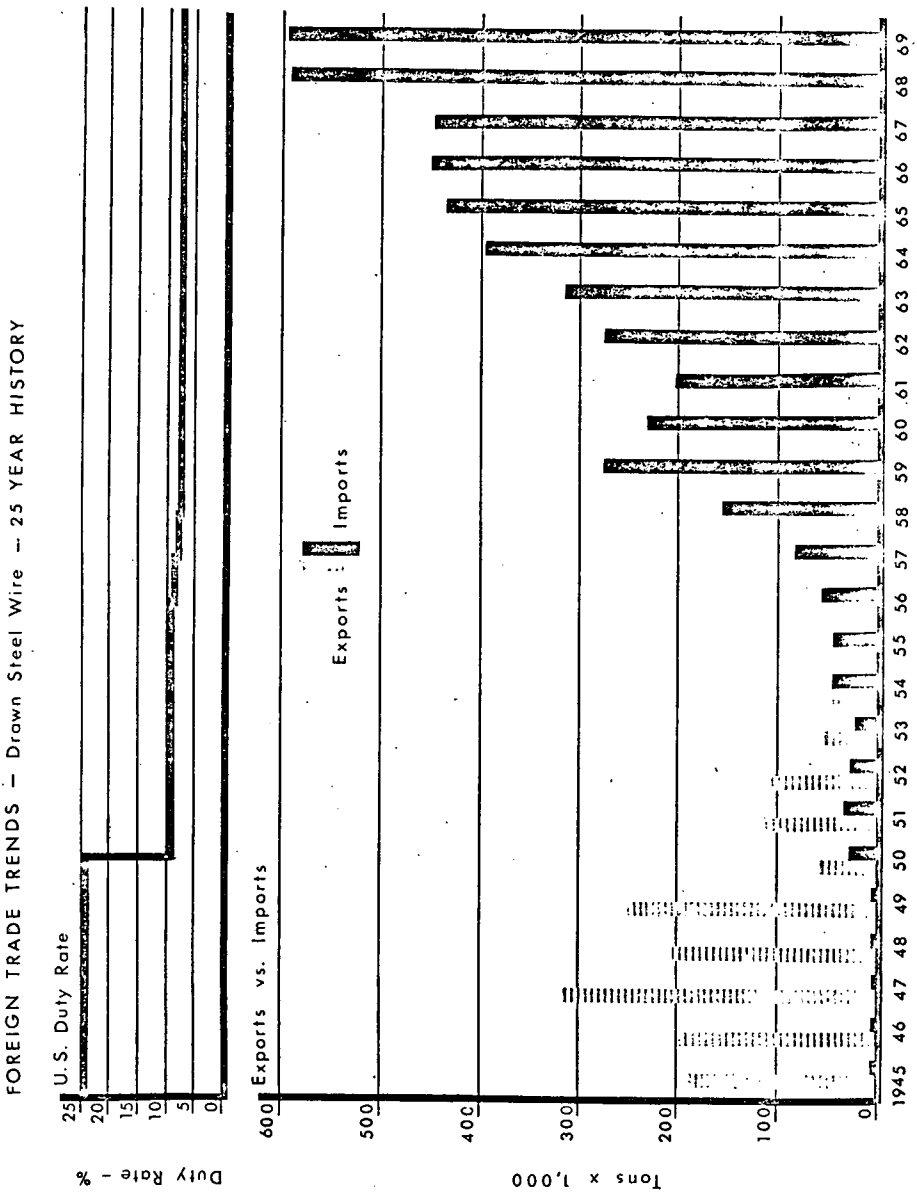
*I. Twenty-five year history.*—Let us look at a graphic picture of what has happened to steel wire during the past quarter century. It has been necessary to use statistics covering the broad category of "drawn steel wire" since data is not available covering solely the fine and specialty wire field. Nor are figures available over the period based on dollar value which would better show our concern. These graphs were plotted using data from the American Iron and Steel Institute. The dotted bars show what has happened to the volume of American exports of this product. The solid bars show the very dramatic growth of imported wire.

Also plotted on the graph is the United States tariff on wire valued at over 6¢ per lb. There are several tariff categories for steel wire, but this one would most fairly represent the bulk of fine and specialty wires, about which we are concerned. Under the Tariff Act of 1930 the statutory rate was 25%. On April 30, 1950 the first General Agreement on Tariffs and Trade reduced the rate to 10%. Three reductions of ½% each became effective later with the current 8½% rate starting on June 30, 1958.

Exports of steel wire have remained practically unchanged since 1959 and in fact, were trending ever downward until some small spark was injected by A.I.D. programs in 1962–1963. However, even that small spark has apparently been extinguished as the last three years have been at the 1959 level.

The import line, however, shows a dramatic and uninterrupted climb toward the top of the chart. The 1969 imports of steel wire were 48 times of those in 1945—or specifically 593,771 tons. This represents nearly three-fourths of the total wire production of the members of our Association.

It seems quite apparent from these figures that the so-called "free trade" policy which has been our government's official policy, does not result in reciprocal trade in the steel wire industry. A once thriving American export business has in a quarter century been replaced by an ever increasing invasion of the American market by foreign producers.


FOREIGN TRADE TRENDS — Drawn Steel Wire — 25 YEAR HISTORY
U.S. Duty Rate
Duty Rate - %
25
20
15
10
5
0
Exports vs. Imports
Exports
Imports
Tons x 1,000
600
500
400
300
200
100
0
1945
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69

2. *Reasons for change.*—How could imported wire make such an invasion of the domestic market? Fine and specialty wire is one of the highest labor content items produced from steel. It is estimated that 10 to 12 man-hours are required to produce one ton of the average hot rolled steel mill product. In contrast, a survey by our Association disclosed an average of 35 man-hours required to produce a wide range of fine and specialty wires. A very special item such as a 0.006'' coated rope wire (which is used in aircraft control cables) has a labor content of 131 man-hours.

It is a well known fact that wage costs—including fringe benefits—are much lower in other countries than in the U.S. They vary from ½ of ours in Sweden to ¼ of ours in Japan. Thus, the very nature of our product, with its high labor content makes it an attractive target for those nations seeking to increase their trade dollar with the U.S. The Japanese steel export council has very openly stated that "exports of items whose unit prices are relatively low will be held to a minimum" within the framework of their voluntary export restraint policy.

It must be remembered that these lower wages affect other costs as well as the labor directly involved in producing a piece of wire. Indirect labor, such as supervision and management functions, is also much less costly in overseas nations. Capital costs, such as buildings and machinery, are also lower because they are made up largely of labor costs. For instance, foreign made wiredrawing machines of good quality are available in the United States for about ½ of the price of American-made machines. In our industry it is not uncommon for overhead costs to be equal to or higher than, direct labor costs, so that this aspect of the cost advantages of lower foreign wages cannot be overlooked.

The "Return on Investment" principal which is used by most corporations to measure the wisdom of a move is not showing the wire industry to be a very profitable one. Youngstown Sheet and Tube closed their wire mill at the end of 1969 and Detroit Steel has announced the closing of theirs on August 1, 1970. Others had been shut down earlier and several are "for sale" now, with no buyers. These moves were taken rather than spend the money to modernize and improve a plant to compete in the market place where foreign competition sets the pace.

For the last 20 years the policy of this nation has been one of so called "Free Trade." The result has been that the worlds' most efficient, productive nation has been outsmarted and outtraded in the world marketplace and especially right here at home. There needs to be a more realistic approach with some concern for our own welfare, if we are to continue as a prosperous nation with employment opportunities for all. Not only are old, established industries being closed down (the two mentioned earlier ended 600 jobs), but new opportunities are being stifled and may never develop the potential jobs they now promise.

3. *Effect on new industries.*—One such new industry which has had a great deal of attention this past year is "wire tire cord," which consists of several strands of a brass plated fine wire and which is being used extensively in other parts of the world in a belt under the tread of radial tires. Radial tires are safer, wear longer, handle better, and give better gas mileage than bias-ply tires. Radial tires have been accepted in Europe and are the tire of tomorrow in the U.S. One of the reasons offered for our being behind Europe is that sources for the wire tire cord are not available in the U.S. One of our member companies has announced installation of a plant in the U.S. to produce this item but, it is interesting to note that this same company is installing more than twice as much capacity in Europe. This is due primarily to the market there being a present thing, but also means that European capacity will be well established ahead of U.S. facilities. The only other announced producer (with no set schedule) in the U.S. is a Belgian firm. So far no other potential U.S. producer has been able to justify the investment required with the risks of foreign dominance of the market. This item is an extremely high labor content wire item requiring an investment in specialized equipment not suited to other uses. Forecasts have been made of an eventual American market of 500,000 tons annually. This would represent over one-half billion dollars sales value and provide more than 12,000 jobs in producing the wire tire cord alone. There would be several times that number of jobs involved in producing the steel and other supplies needed.

Yet this item can be imported into the U.S. at a rate of duty of from 5.5 to 10% (varying with its technical construction). Belgium currently applies a 28.1% combined duty and tax on the identical product coming into that country.

It certainly appears questionable that this new industry, with all of its job opportunities, has a chance of really being born in the U.S. under present conditions. If it is not, the safer, more economical radial tires we will be riding on in 1975 could be adding a $500,000,000 "minus" to our balance of payments figures by uisng imported wire tire cord.

*4. New for effective legislation.*—We strongly urge that your Committee ignore the *unproven* threats of massive retaliation by other nations and take the leadership in providing the American worker and American industry with the opportunity for fair trade in the American marketplace. Legislation such as the Fair International Trade Act which has been introduced by more than 67 members of the House of Representatives, can go a long way toward solving this problem. We urgently request that your Committee produce legislation which will put enforceable, legislative ceilings on imports, including our fine and specialty wires. We also feel strongly that these limitations should be in terms of value, not weight, since high labor content items such as ours are more subject to import damage and value is the truest method of measurement.

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STATEMENT OF H. WILLIAM TANAKA, COUNSEL IN BEHALF OF NOSAWA, NEW YORK, INC. AND MITSUBOSHI CUTLERY, NEW YORK, INC.

This Statement is submitted on behalf of Nosawa, New York, Inc., and Mitsuboshi Cutlery, New York, Inc. These companies are incorporated in the United States and are subsidiaries of Japanese exporters of stainless steel flatware.

SUMMARY

1. The purpose of this statement is to express our opposition to imposition of new restrictions of stainless steel flatware and to acquaint the Committee with certain facts about the stainless steel flatware market which have not been presented in prior testimony.

2. While the Stainless Steel Flatware Manufacturers Association has urged the Committee to support a resolution directing the President to withdraw the trade agreement concessions on stainless steel flatware, the Association failed to point out that the domestic manufacturers themselves are among the leading importers and are responsible for much of the recent increase in imports of stainless steel flatware.

3. The two leading domestic producers, who together account for approximately 75% of total domestic production, are experiencing increasing sales and profits, and clearly have no need for additional protection from imports.

4. Additional import restrictions would only serve to enhance the market dominance of the two leading domestic manufacturers, while it would not be of significant help to the smaller producers who have steadily lost ground to the leading companies despite eight years of quota protection. The most effective means of helping the smaller companies is through utilization of the Trade Adjustment Assistance provisions of the Trade Expansion Act.

The purpose of this statement is to express our opposition to imposition of new restrictions on imports of stainless steel flatware and to acquaint the Committee with certain facts about the stainless steel flatware market which have not been presented in prior testimony.

Domestic manufacturers themselves are responsible for much of the recent increase in stainless steel flatware imports.

On June 1, 1970, the Committee heard testimony from Stewart Hemingway, Jr., Vice President of the International Silver Company on behalf of the Stainless Steel Flatware Manufacturers Association. Mr. Hemingway contended that imports present a serious threat to the domestic industry, and he urged the Committee to support a resolution directing the President to invoke the rights reserved by the United States under Article XXVIII of the General Agreement on Tariffs and Trade to withdraw the trade agreement concessions on stainless steel flatware.

What Mr. Hemingway failed to point out in his plea for protection from imports is that every member of the Stainless Steel Flatware Manufacturers Association is also an importer of stainless steel flatware, and that his own company, International Silver, is probably the largest importer in the United States.

The Stainless Steel Flatware Manufacturers Association placed particular emphasis on the increase in imports following termination of the tariff quota in October, 1967. But this testimony does not reveal that domestic manufacturers themselves were largely responsible for the substantial increase in imports. Major U.S. manufacturers presented specific proposals to the Japanese Government and industry describing their plans to have flatware manufactured to their own patterns in Japan, and urged an increase in the Japanese export quota to meet their requirements. There was considerable reluctance in Japan to accommodate this request because of the fear that a substantial increase in exports to the United States might lead to renewed demands for protection by the domestic industry. However, the Japanese were advised by the domestic producers that their purchases from Japan would not result in any cutback in the U.S. production of stainless steel flatware.

There seemed to be good reason to accept such assurances in view of the financial reports of the major domestic producers—Oneida Ltd. and International Silver—who account for approximately 75% of total sales of domestically produced stainless steel flatware. The reports of these companies indicated that they both were enjoying record levels of sales and profits in their stainless steel flatware operations. Oneida's annual report for the fiscal years ending January 31, 1968 and 1969 stated that the company's order books were overfilled. In fact, both reports complained that the company lost sales because of a lack of capacity to fill orders. In order to meet the growing demand for stainless steel flatware, Oneida constructed a 204,000 square foot manufacturing building at Sherrill, New York. International Silver's annual reports also indicated substantial growth in stainless steel flatware. Again, the only problem was lack of capacity. The 1967 annual report states that the stainless steel flatware sales figure was the highest ever attained. Yet, the report notes that sales were held back "because of capacity limitations." In order to meet this problem, International Silver built an entirely new stainless steel flatware plant in Meriden, Connecticult.

The Japanese industry expanded its export controls specifically to meet the requests of U.S producers. Purchases by American manufacturers accounted for well over 34% of the 1969 export quota figure, and their orders are increasing in 1970.

Domestic producers have also become important customers for stainless flatware produced in Hong Kong, Taiwan, and Korea. According to information furnished to the Japanese industry by manufacturers in these countries, U.S. producers in 1969 purchased 51% of Taiwan's flatware exports to the United States, 47% of Korean exports to the United States, and 20% of exports to the United States from Hong Kong. International Silver operates its own stainless steel flatware plant in Taiwan, and recently received approval for a loan of $3.3 million to its Taiwanese subsidiary. This loan will apparently be used to expand the capacity of the Taiwan plant to help meet International Silver's requirements in the U.S. market.

It is difficult for us to understand the pleas for renewed import restrictions based on the recent increase in imports when the very persons who are loudest in their demands have themselves contributed substantially to this increase. Their position seems totally inconsistent.

The leading domestic producers do not need additional protection from imports.

We submit that there is no reason to impose additional restrictions on imports of stainless steel flatware. The two dominant domestic producers obviously do not need additional protection, and such action would not significantly benefit the smaller domestic companies.

International Silver certainly shows no signs of suffering from import competition. In 1968, the first year following elimination of the tariff quota, sales by the Consumer Division of Insilco Corporation (which includes International Silver) rose from $96.3 million to $109.5 million while profits jumped from $4.4 million to $5.4 million. Sales in 1969 increased further to $140.3 million while profits moved up to $6.1 million. The company reported "record sales of popular priced lines" in 1969 (presumably including stainless steel flatware).

Oneida, Ltd. has also experienced a sharp upsurge in sales and profits after the stainless steel flatware tariff quota was eliminated. Sales rose from $58.8 million in fiscal year 1968 (ending January 31) to $63.2 million in 1969 and $69.6 million in fiscal 1970. Over the same period, net income rose from $2.4 million to $2.8 million. Oneida's annual reports contain glowing accounts of its achievements in stainless steel flatware. The annual reports for fiscal 1968 and 1969 state that the company's order books are overfilled. The report for fiscal 1970 emphasizes the cost savings which Oneida has achieved in its new flatware plant.

It points out that the use of modern technology enables American manufacturers to maintain reasonable prices and compete with imports from low-labor cost countries. These manufacturing efficiencies contributed to a 15% increase in net profits after taxes. The report also notes an "improvement in our domestic market share in stainless steel flatware", and "a good start in our stainless steel flatware importing program."

Detailed information is not available on the performance of other domestic producers since they are either privately held companies or subsidiaries of larger corporations. In general, it appears that some of these companies which have recognized brand names and modern plants are doing well.

Additional import restrictions would only give a windfall benefit to the dominant U.S. producers and would not help the marginal companies.

On the basis of past experience, it is evident that those companies which are experiencing difficulties would not be significantly helped by additional import restrictions. For eight years, the domestic industry was operating under the protection of a quota. Nevertheless, during this period the smaller domestic companies steadily lost ground to the two dominant producers—International Silver and Oneida—who today account for from two-thirds to three-fourths of total domestic production. Thus there is no reason to believe that another termination or suspension of the trade agreement concession would be of any greater help. As before, the position of the smaller domestic producers would continue to deteriorate despite renewed protection. The only result would be an unwarranted windfall benefit to the two large domestic producers who are in no need of additional protection. Additional restrictions on competition from abroad would enable these two companies to dominate the market. Prices would probably rise to the detriment of the consumer and the economy as a whole.

The problems of the marginal domestic producers apparently stem from obsolete equipment, inefficient production, and poor marketing techniques. The only effective remedy for these problems is loans, tax relief, training and technical assistance; in short, the type of assistance specifically designed for such companies in the trade adjustment assistance provisions of the Trade Expansion Act. But under present law, these companies will be deprived of any chance for adjustment assistance if the trade agreement concessions are suspended or withdrawn.

It is apparent from a reading of recent Tariff Commission decisions that the Commission itself agrees that adjustment assistance rather than renewed import restrictions is the appropriate remedy. All of the Commissioners who participated in the 1967 investigation which preceded termination of the tariff quota agreed that continuation of the quota would only give a windfall benefit to the dominant domestic producers who are in no need of protection while it would not help the smaller inefficient manufacturers. Chairman Sutton stated that such action would be "futile" since escape clause rates of duty could not shield the marginal producers from competition by other, more efficient domestic manufacturers. Commissioners Thunberg and Clubb stated that continuation of the import restrictions "would give unnecessary protection" to the larger companies, and they pointed out the availability of adjustment assistance to the marginal firms and workers.

The foregoing facts demonstrate that the large domestic manufacturers are enjoying record sales and profits, and are in no need of additional protection from imports. The marginal producers would be better helped through trade adjustment assistance than through imposition of quotas or tariff increases. Imposition of additional restrictions on imports would only serve to enhance the market dominance of the two leading domestic producers.

We therefore respectfully submit that the Committee should not endorse resolutions calling for withdrawal of the trade agreement concessions on stainless steel flatware.

Mr. GIBBONS. The committee will stand adjourned until 10 o'clock tomorrow.

(Whereupon, at 4:40 p.m. the committee adjourned, to reconvene at 10 a.m. Tuesday, June 2, 1970.)