This all leads to the key question whether a truly realistic appraisal has been made of the overall economic effects of our foreign trade policy and what the impact has been and will be on the industries adversely affected. If the final criterion governing this policy is political expediency, and this must be so for the good of this country, then this, too, should be demonstrated more convincingly than it has been.

Disparity in Labor and Related Costs

Little serious consideration apparently has been given to the substantial disparity in labor and related costs among the various countries, particularly between the United States and other countries. Generally these have been dismissed with the implicit or explicit assumption that our superior productivity offsets the difference between our high labor rates and the typically much lower rates abroad. Here a number of important considerations have been overlooked. First, these differences quite generally apply not only to the direct labor rates, but also to the indirect labor costs. Moreover, they often quite extensively influence other costs, such as plant, equipment and supplies. Further, while the assumption that productivity is roughly proportional to these labor rates may be valid with respect to certain products, it most certainly is not true for others, for instance, brass mill products.

While foreign brass mills may not be quite up to the efficiency of domestic mills, they do have up-to-date plant and equipment, and use modern production methods. Frequently most of the plants are new and the management is generally well informed on the latest production procedures used by our mills. Therefore, their costs, except for copper and other metal components, may be assumed to be substantially less than ours. Insofar as copper and the other metals used are involved, these are in international trade and prices usually do not differ materially. Such variations as do occur from time to time, generally do not subject mills abroad to increases in cost not comfortably within the margin provided by their lower labor and related costs.

In recent years much has been made publicly of the fact that wage rates abroad quite generally have increased in percentage more than labor rates in the United States. A completely different picture, however, is presented when the changes in the rates themselves are compared. This is made clear in Exhibit A, which shows comparative wages in the manufacturing industries in the United States and principal foreign countries shipping brass mill products to the United States. Thus, while the United States shows the least percentage increase in wage rates between 1955 and 1966, except for Canada, its increase in cents per hour, which is the true determinant of labor costs, is higher than that of any other country. How invalid dependence on percentage increase alone can be, is graphically indicated in the case of Yugoslavia. That country has had the highest percentage increase, 200 percent, and yet its rate in 1966 was only 27 cents per hour, or 10 percent of the average rate in the United States.

This wide disparity in manufacturing labor and related costs has had a most profound effect on the foreign trade situation of the brass mills. Exhibit B shows that between 1949 and 1966 annual imports of brass mill products have increased from 21 million pounds to 248 million pounds, whereas exports have varied between about 10 and 20 million pounds (they averaged about 50 million pounds in the period before the trade agreements). Even this relatively small quantity of exports undoubtedly is influenced by the need in American owned or managed manufacturing plants abroad for our mill products to meet their particular requirements.

Reduction of Brass Mill Product Tariffs Inequitable

If the situation which has been discussed above is specifically related to the brass mill industry, a simple statistical summary will indicate how inequitable and unrealistic the reduction of the brass mill tariffs has been. Exhibit C indicates that labor rates in cents per hour in the countries accounting for two-thirds of our imports of brass mill products have increased from 1960 to 1966 less than those in the United States, and their imports to us, except for the United Kingdom, in the same period have increased substantially. Nevertheless, their tariffs, again except those of the United Kingdom, have been reduced only 20 to 25 percent, whereas ours have been reduced 50 percent. For some reason the tariffs of the United Kingdom, whose exports to us do show some decline, were reduced up to 50 percent. It is particularly difficult to understand why tariffs in Japan were reduced only 20 to 25 percent and those in the Common Market only 20