

Mr. WATSON. Well, I can't really speak for our 53 members.

Mr. BUSH. No; I understand.

Mr. WATSON. I can speak for myself and I hope, and I think, they would agree with me. I think the real matter is that this whole question of balance is tied up with competition. It is my fundamental belief, and I have seen it happen, that the United State of America is a high quality manufacturing outfit. We are second to none in our skills. Therefore, given the right trade climate, and given a continuation of this interchange between ourselves and our trading partners, with the quality of our products we can get to a favorable balance, and we aim to get there.

The CHAIRMAN. Any further questions?

Again we thank you, gentlemen, all of you, for coming to the committee.

Mr. WATSON. Thank you very much.

(The following material was received by the committee:)

MEMORANDUM FROM REPRESENTATIVE THOMAS B. CURTIS, OF MISSOURI, TO THE
EMERGENCY COMMITTEE FOR AMERICAN TRADE

The table cited by Mr. Abel in his testimony to the Committee was drawn from the Senate Finance Committee's *Steel Import Study*, page 69, table 31. Table 31 attempts to more accurately measure total steel export-import trade by including the value of steel exported and imported in the form of end-use items. The total trade balance presented by this table, which was compiled by the American Iron and Steel Institute, shows a deficit of \$496 million in total direct and indirect steel trade.

But I wondered if this table should be qualified by factors explained in the *Steel Import Study* itself. For example, in addition to inserting with his testimony table 31, Mr. Abel might have for completeness included reference to the chart shown on the following page of the Senate Finance Study which follows as Appendix L. This chart, Chart 32 on page 70, reveals a \$6 billion surplus (in 1966) in trade of end-use items containing steel. Thus, if the adverse balance of trade in direct steel products alone of \$1 billion (this figure includes an additional 10% added to the value of imports to represent cost, insurance, and freight and subtracts from exports the amount of AID-financed steel shipments) was combined with the \$6 billion favorable balance resulting from trade in products containing steel, the result is a favorable balance of trade in 1966 for steel and products made from steel of \$5 billion.

I wondered also if the value of the direct steel imports might not have been overvalued by 10% to represent the c.i.f. costs (the standard measurement of value of U.S. imports is the "export value", which does not include these costs), and if by eliminating AID-financed exports the Table presented by Mr. Abel might be incomplete.

The Senate Finance Committee Report itself qualified the information in the Table presented by Mr. Abel, noting the difficulty of estimating the steel content of end products made of steel. According to the *Steel Import Study*, page 68, "the data on foreign trade are not well adapted to the job of estimating steel content; there are vast categories of machinery and equipment items represented only by value data and with no corresponding unit figures. Even if unit data were available, the average steel content is unknown without a bill of material for each type of machinery." Furthermore, shipping weights of such manufactured items are not necessarily representative of steel content. An automobile contains hundreds of pounds of other materials.

Finally I feel it is very difficult to measure the value of the steel contained in these exports. For example, one large exporter informs me that they pay considerably more than the average steel price used in the estimates presented in Mr. Abel's Table. This is because their machinery exports contain many forgings and castings, special alloys and heat treated steel, as well as special sections, non-standard specifications, and special sizes. Thus the value assigned to the steel in Mr. Abel's table would seem to be too low at least for one major type of steel exporting industry.

I wonder if it is not also appropriate to give special consideration here to the fact that end-use items made from steel—such as machinery, transport equip-