Thus, although the steel industry in the United States still leads the rest of the world in efficiency, its advantage is smaller now than it was 10 years ago. Furthermore, even maintaining, let alone expanding, that advantage is becoming more difficult as the steel industries of Western Europe and Japan approach that of the United States in size and continue to obtain, from domestic and other sources, the funds required for expansion and improvement of their plants. In any case, technology now available or in sight could not possibly increase output per man-hour to a level which would make our production costs competitive with those of the European and Japanese steel industries.

Excess capacity and the determination to use it for export purposes have caused the decline of steel prices on the world market. Low export prices depress the prices charged in the domestic markets of the producers toward world levels. This is especially true of Western Europe and the United Kingdom and it has been the source of constant complaint by producers in those countries. Little is known about Japanese domestic prices since most of the steel used in that country is sold to affiliates of the steel producers or through associated trading companies. I might note that this system of distribution also acts as a powerful deterrent to imports.

Indirect evidence derived from the financial reports of Japanese steel producers indicates that domestic prices are somewhat higher than export prices. Such information as we have been able to collect shows that world steel prices are little, if any, above the direct production costs of European producers and roughly equal to the total costs of the Japanese. Delivered prices of foreign steel in the United States average $30 to $40 per ton below the prices of steel produced in this country, while the average profit before taxes of American steel companies in 1967 was about $12.50 per ton. The key to current world market price levls is the cost structure of the Japanese steel industry. Japan is the largest single exporter and all other steel exporters are affected by Japanese prices, especially in the U.S. market.

Foreign governments have generally taken the view that domestic steel industries capable of supplying all or most of the steel required by their economies are necessary for economic strength. They have also supported, with few exceptions, efforts by their steel industries to maintain high production levels and, therefore, high employment, regardless of market demand. In many cases, they have looked on steel exports as an important means of generating foreign exchange. These views have led other governments increasingly to involve themselves in the affairs of their steel industries and to encourage exports. This involvement has taken a variety of forms, including outright ownership, as in the case of Great Britain; majority equity holdings, as in the case of Italy; low-interest bearing loans, as in the case of France; preferential capital allocation, as in the case of Japan; and the encouragement of mergers and the formation of cartels in France and West Germany.

All the steelproducing countries, save the United States, have a variety of effective restrictions on steel imports, some of which are matters of practice and custom rather than of formal laws and regulations. These include, from time to time and in varying combinations, border taxes, all-pervasive domestic preference buying, special ware-