

housing charges, customs redtape, and other restrictions tantamount to outright embargoes. Exports are encouraged by protection of domestic markets and by a variety of special devices including tax incentives and rebates, direct and indirect subsidies, favorable credit terms for exports, and credit guarantees.

PROBABLE FUTURE DEVELOPMENTS IN SUPPLY, DEMAND, AND COST FACTORS

The current situation is extremely serious and the prospects for the future are worse. World steel trade has been expanding at an average rate of about $4\frac{1}{2}$ percent a year. The major foreign producers, however, have been expanding their steelproducing facilities at much higher rates, each with the intention of increasing his exports. The most notable example is, again, Japan. Last year, Japan produced 68 million net tons of raw steel, more than any other country except the United States and the Soviet Union. That was double the amount produced as recently as 1963. Capital expenditure plans recently submitted for Government approval call for a steelmaking capacity of 110 million net tons by 1971, 4 years earlier than had been anticipated. While domestic consumption has been growing very rapidly in Japan, it has not equaled that expansion rate over the years. The meaning is clear: vastly increased exports from Japan.

Meanwhile, the European industry is continuing to expand faster than domestic consumption in spite of financial difficulties and a substantial current excess of capacity.

(Charts 3 and 4.)

CHART 3

