

and enforcing such an agreement in the face of nationalistic considerations. It is sufficient to point out that cost disparities between steel producers in the United States and those in other countries are so large that elimination of those barriers is not likely to change the competitive situation significantly.

Moreover, the removal of those barriers would not reduce the optimistic expansion plans of foreign producers and, therefore, the excess steel supply in world markets. Finally, the process of removing those barriers would consume so much time that the domestic steel industry might have suffered irreparable injury long before they disappeared.

All these suggestions for meeting the threat posed by growing imports presuppose the existence of conditions essential to the operation of a free market. They also assume no need to maintain a strong, domestic steel industry for national security. These conditions do not exist today. Differentials in basic cost factors persist among steel-producing countries. Wide differences prevail among nations as to what constitute proper rules of international trade. Thus, remedies which depend on free market conditions cannot be effective in the real world of today.

To sum up, the remedies suggested by many simply do not fit the case.

OUR PROPOSED SOLUTION

We believe that an equitable solution to the problem of rising imports into this country is a system of quotas based on recent market shares of the countries which export steel to the United States. Action to establish such a system must be taken to prevent serious damage to the domestic steel industry. This is the system embodied in the orderly trade bills now before this committee.

The industry recognizes that, troublesome as steel imports have become, foreign producers rely on the U.S. market for an important part of their sales. Any control device, therefore, which greatly reduced imports would have a seriously adverse effect on the economies of other countries. An embargo or sharply increased tariffs would have such an effect. Quotas based on recent import shares of the market would not. The bills before you not only embody such quotas but also provide review every 5 years to examine the system in light of then-existing conditions.

We recognize also that the capital spending programs of steel industries in certain countries, notably Japan, are presently based in part on expectations of a continuing expansion of exports to the United States. Limiting those exports to fixed, absolute quantities might be disruptive to those industries. Flexible quotas expressed in terms of historical market shares would permit the volume of steel imports to grow as the U.S. market for steel expands. Thus, they would minimize the adverse effects on the steel industries of other countries and encourage their orderly development in the future.

ANSWERS TO CRITICISMS OF QUOTAS

The assertion is frequently made that the institution of quotas on steel imports would lead to instant retaliation by the countries affected against other commodities exported from the United States. This is by no means a foregone conclusion. Other nations purchase goods and