Lakes, Gulf Coast, Pacific Coast, and Atlantic Coast. Accordingly, imported steel is reaching all regional markets in substantial quantities, as Table A clearly indicates.

While the growth of imports has affected all product groups, the impact has been far from uniform. When imports first began to enter, they were concentrated in those products which had a high labor content, or which could be produced with comparatively old equipment and simple technology. Reinforcing bars and common grades of wire rod, wire products, and pipe were the first big invaders. During the 1960's, however, steel mill expansion abroad was concentrated on facilities for the manufacture of products—such as sheets—which require large and complex processing equipment and advanced technology. As a result, the relative importance of these products among steel imports has grown rapidly. For example, in 1961, imports of sheet and strip came to only 171,000 tons but by 1967 were 4,281,000 tons; imports of shapes, plates, and piling were 330,000 tons in 1961 versus 2,089,000 tons in 1967.

Much the same pattern has occurred with respect to imports of specialty steels (whose contribution to our national security is discussed later). Production of these steels, among the most sophisticated, was once the exclusive province of a few highly industrialized nations. In recent years, foreign-produced specialty steels have been entering our country at an even higher rate of growth than that of total steel mill product imports. Whereas in 1959, imported stainless steel represented only 1 percent of our domestic consumption, by 1967 this figure reached 17.5 percent. Imported stainless cold rolled sheet increased its U.S. market penetration from 6 percent to 24 percent during the 1962–67 period alone.

Table B summarizes the market penetration which has occurred in each major steel product group, from 1957 to 1967, expressing these inroads in tons and as a percentage of the total domestic market for each product. Both the extent of this penetration which ranges up to 50 percent of the domestic market for some products, and its rapidity—sometimes tripling in one year—are well illustrated by the table.

The reasons for this recent heavy growth of imported steel products in the U.S. have been described in detail in The Steel Import Problem.[1] In December, 1967, the Senate Committee on Finance published a Staff Study on the steel import situation which largely supports the conclusions of the AISI papers.[2]

A. World Surplus Capacity

The Steel Import Problem shows that in 1966 there were 55 million annual tons of unused steelmaking capacity in the free world outside the U.S. This surplus is a relatively new condition. As recently as 1960, production and capacity outside the United States were about the same.

There are several reasons why the unbalanced condition has occurred. Industrial and state planners in major foreign steel-producing nations have consistently overestimated their own domestic steel requirements, as well as the potential demand for exports, thus causing the creation of greatly over-expanded steel industries. Moreover, in some developing nations, the ability to produce steel constitutes a symbol of industrial progress and has been fostered without close regard to economic need. Some such nations have themselves become exporters of steel. Thus, the development of steelmaking industries in these countries not only adds to total free world capacity, but also pre-empts some traditional export markets—thus increasing the competition while reducing the size of the total market for exports.

These problems of capacity will not be mitigated by any foreseeable increase in world steel consumption.

1. *Japan*

The "Economic-Social Development Program" announced by the Japanese Government in March 1967, includes projections of increases in iron and steel production for the period 1965–71.[3] These range from 9.1 percent to 9.9 percent per year. Japanese-planned additions to plant and equipment will increase that country's steelmaking capacity from 57 million net tons of raw steelmaking capacity in 1966 to 82 million net tons by 1970. Japanese consumption of steel has also been growing rapidly—at a rate of about 11 percent per year. That rate cannot con-

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[1] "The Steel Import Problem," American Iron & Steel Institute, New York, October 1967, Ch. III. ("The Steel Import Problem" is appended to this report.)
[2] "Steel Imports—A Staff Study of the Committee on Finance, U.S. Senate," Russell B. Long, chairman, Washington, D.C., Dec. 19, 1967. (Hereinafter referred to as "Staff Study.")
[3] The Oriental Economist, May 1967, pp. 300–304.