However, just as today the development of our domestic public policy is being conditioned by the problems arising from an economy of affluence, so also our foreign trade policy must grapple with the same source of international economic concern. Although these complexities arise from an affluent economy, they are no less real or no less critical than those arising from a depressed economy.

We are, therefore, appealing to you to view our trade problems within this context. What I am saying is that we must have a balanced trade relationship within an expansionary trade policy.

As far as the domestic steel industry is concerned, we are experiencing a rapid and accelerated percentage penetration of our market by foreign producers. Within the last 5 years, steel imports have risen from 3 percent of domestic demand to almost 15 percent, if current imports for 1968 are projected on an annual basis.

Furthermore, we have been a deficit Nation in the value of direct steel trade since 1962. The current deficit amounts to about $900 million. But more than that, we are still a deficit Nation even when we take into consideration indirect steel trade—that is, trade in which steel is used in manufactured products. In 1966, our total steel trade balance was in a deficit position by almost $500 million. This, of course, causes a drain on our balance of payments. But it also refutes the contention that American steel which is exported in manufactured items outbalances and compensates for any deficit in direct steel trade.

STEEL IMPORT STUDY—VALUE OF DIRECT AND INDIRECT (END-USE) STEEL IMPORTS AND EXPORTS AND THEIR EFFECT ON U.S. BALANCE OF PAYMENTS

[In millions of dollars]

	Imports [1]			Exports			Trade balance, total exports less imports
	Steel products (direct imports)	End-use items [2] (indirect imports)	Total (direct plus indirect)	Steel products [3] (direct exports)	End-use items [4] (indirect exports)	Total (direct plus indirect)	
1957 [5]	235	109	344	977	510	1,487	+1,143
1958	252	110	362	733	435	1,168	+806
1959	639	171	810	485	450	935	+125
1960	552	145	697	711	480	1,191	+494
1961	462	102	564	503	480	983	+419
1962	586	129	715	443	495	938	+223
1963	752	127	879	448	525	973	+94
1964	897	154	1,051	583	615	1,198	+147
1965	1,395	193	1,588	553	645	1,198	−390
1966	1,444	257	1,701	545	660	1,205	−496

[1] Values increased by 10 percent to adjust from f.o.b. to c.i.f. basis.

[2] Values calculated by multiplying estimated net tons of indirect imports times the average c.i.f. landed value per net ton imported steel mill products plus 10 percent to adjust from f.o.b. to C.i.f. basis.

[3] Values represent steel product exports less AID-financed exports.

[4] Values calculated by multiplying estimated net tons by an average price of $150 for finished carbon steel in the domestic market, which during this period ranged from $149 to $158.

[5] The value of "other steel products" component of the steel product direct imports and exports estimated.

Note.—For comments by AISI on this table see appendix.

Source: AISI, Foreign Trade Trends Quarterly; AIS Imports 1; Exports 1; USDC, Overseas Busines Reports.

We are convinced that the pressure behind these foreign imports is basically one of affluence—in other words, it results from excessive overcapacity. The Senate Finance Committee, last December, released a report indicating that surplus capacity had already reached a level of 50 million tons. Each year, steel capacity grows at a rate of 33