

ings." Also in 1967, the American Iron & Steel Institute prepared a study on "The Steel Import Problem" which was released in October and that too is available. The Senate committee staff study and the American Iron & Steel Institute study provide conclusive evidence that the imports of steel have been growing so rapidly in the past few years, with no indication that they will not continue to do so, that the United States is forced to examine the implications for our domestic economy, our balance of payments, and our national security. The figures now available for 1967 and the early months of 1968 make it even more imperative that we should take action to deal with the rapidly increasing problems of our domestic steel industry which affect our national interest.

I am in favor of the ultimate achievement of free trade and I think we can all recognize the advantages that would accrue from it. I supported the purposes of the Kennedy round, but as was indicated by the prior testimony, tariffs are by no means the only trade barriers to be considered. In the world as it is today, even if we abolished all tariffs, we would still not have free trade. There are so many non-tariff barriers in existence and so many economic and political factors that can be and are structured in such a way as to prevent free trade, that the conclusion of the Kennedy round negotiations is far from being the whole answer.

The problem of steel imports into the United States provides a good example of the limited value of tariff reductions. The American steel industry is not being seriously hurt by the low tariffs which apply to steel imports, but by other conditions which are far more formidable and in the next few years could so dislocate the domestic industry that domestic steel shipments would even decline from their present levels and our national security and our balance-of-payments position would be eroded to the danger point and even beyond.

One of the nontariff barriers used by members of the European Economic Community is the manipulation of transaction taxes, or turnover taxes, to favor exports and to limit imports. On exports from the European Economic Community to the United States the transaction tax is rebated to the exporter but the transaction tax is applied to goods coming from the United States when they enter the European community. Since the United States has no such indirect taxes, we are not in a position at present to use this system to reduce imports, although it is currently permissible under the provisions of the General Agreement on Tariffs and Trade.

Perhaps even more important is the fact that foreign governments take a very direct interest in their steel industries and regard them as essential to the national economy and national security so that measures are taken to assure that these national steel industries continue to increase their production.

This is achieved by providing for the low-cost financing for production facilities and by the use of licensing arrangements, warehousing requirements, redtape and buy-national policies to insure that imports will be held at a minimum. In fact, today the Common Market countries do not permit imports of steel products from outside the EEC to exceed 5 percent of the domestic market. Japan has imports of less than 1 percent. In the United States, in 1967 imports accounted for 12.2 percent of apparent supply.