In addition to using their domestic tax systems and government intervention in support of their steel industries, other major producers of steel products take full advantage of the wage differentials which favor the foreign product over the American product. Differences in unit labor costs are now on the order of $25 per ton to the advantage of Western Europe and $40 per ton to the advantage of Japan.

For all of these reasons steel produced in the European Economic Community and in Japan enjoys such substantial advantages over steel produced in the United States that there is frankly at present no way in which the price disparity can be met by our domestic industry.

Let me review for you the trend of steel imports during the last few years. In 1957 the United States imported 1.15 million net tons of steel products. In 1967 we imported 11.45 million net tons. Between 1957 and 1967 imports grew at a compound annual rate of 26 percent and, while this import penetration of the U.S. market varies by product and region, it affects every important product line or market area. In recent years, foreign-produced specialty steels have been entering the United States at an even higher rate of growth than that of total steel mill product imports and of course these specialty steels are of paramount importance to our national security.

The present price gap between foreign steel and domestically produced steel averages $30 to $40 per ton, which substantially exceeds the U.S. steel industry's average total profit per ton of $17 in 1966 before taxes. If we should project the average annual growth rate in imports of 26 percent for the last 10 years, we could expect imports of more than 23 million net tons in 1970 and more than 73 million tons by 1975. Even assuming arbitrarily that the rate of growth of imports is a more conservative 13 percent, or one-half the recent annual rate, then we could expect an import level of 17 million tons by 1970 and about 30 million tons by 1975.

And there is no reason why such import levels could not be achieved, since both Japan and the European Economic Community are planning expansion of their production facilities which can easily meet these levels. In fact, a year ago, the excess steel-producing capacity outside the United States in the free world was estimated at 55 million tons and it has been increasing since then.

Our own steelmaking capacity has also been expanding, but only at the average rate of about 2 percent a year over the last decade, and it is not certain whether this expansion can continue if imports are allowed to take up all of the growth in the domestic market as they have in recent periods. Investments in steel facilities depend upon reasonable assurance that the market for products will grow in proportion to increases in productive capacity. The steel industry's capital investment program depends on availability of capital and availability of capital depends upon the prospect of profitability. If the domestic industry cannot hold onto its present share in the U.S. market and participate in the growth expected in that market, the likelihood of maintaining a healthy and viable steel industry, which President Johnson, on April 8, 1967, proclaimed to be the core of industrial America, a vital product basic to our economy and essential to our security, will be put in jeopardy.

The Office of Emergency Planning has calculated that in the event of a conventional nonnuclear war in the next decade, and God forbid,