After all, defense set-asides for the Vietnam war amount to only 6 percent of production and, even if imports should rise to 20 percent—which is technically unlikely—and even if set-asides rose to three times the present rate, there would be plenty of steel for direct defense. When it comes to indirect defense needs, the Korean and the Vietnam crises have shown that, in actual practice, imported steel has been a real boon to the economy. It prevents shortages and holds down the resulting inflationary effect. Further, how can an industry which imports 36.3 percent of its basic raw material, iron ore, and nearly 100 percent of its chrome and manganese ore, say that a national emergency would cut off steel imports, but ignore the fact that any such emergency would also cut off the flow of its own raw material imports. Realistically, it cannot.

This committee has heard so much from government experts and others concerning international trade and the balance of payments that I will comment only briefly on the subject.

The domestic industry must bear the major responsibility for the ever increasing volume of steel imports. Following World War II, our steel industry was the world leader. It abdicated this leadership by choosing to become noncompetitive in world steel markets. This deliberate choice turned a highly favorable balance of steel trade into a chronic deficit. Constantly increasing steel prices have contributed substantially to an alarming inflationary trend for this Nation—an inflationary trend that is damaging our trade surplus.

CONCLUSION

We believe that the demand by the domestic industry for the limitation of steel imports to less than 10 percent of apparent consumption is completely unreasonable. In contrast, the nations of the European Common Market are importing approximately 25 percent of their steel consumption. While the European steel executives are no happier about such import competition in their home markets than are their American counterparts, they rather compete in the marketplace than revert to the protectionism of the past. The present level of steel imports should cause no more alarm than the constantly rising level of ore imports.

William Johnstone, vice president of Bethlehem Steel, has stated before the Tariff Commission, with respect to iron ore imports, that "import restrictions would have injurious effects."

What logic then is there in restricting steel imports to one-tenth of consumption while ore imports exceed one-third of consumption and are rising? Such restrictions would not be in the best interest of the United States.

Thank you.

(The appendix referred to the follows:)