Whoever is right in crystal-balling, we submit that the present situation is far from justifying a reversal of the long-standing liberal foreign trade policy of the United States in the interest of the steel industry.

It has been contended that steel imports represent 70,000 to 80,000 jobs that would otherwise be held in the United States. In the first place, even the most extreme proposals by the domestic industry would not suggest eliminating *all* imported steel. Second, and most importantly, they totally ignore the 3.5 million American jobs created by U.S. exports—jobs that would not exist if American trading partners abroad had not the dollars to purchase the farm and industrial products of this country. Third, while there may exist in some communities in some parts of the country some distress with respect to steel layoffs, it should be emphasized that materials published by the American Iron and Steel Institute always speak in terms of job opportunities, not actual jobs. In fact, metal trade publications have for the past six months been pointing out the shortage of steelworkers in the growing Chicago area and describing the efforts of the steel companies there and elsewhere to induce the migration of skilled or unskilled workers into the steel mills. We strongly doubt that any reputable steel economist would endorse the figures on import-generated job losses that have received such wide publicity.

Much has been made of lower steel wages abroad, a fact which is indubitably and inevitably true. Foreign steel workers, operating in economies and societies much less wealthy than the United States, could not possibly be paid the equivalent of about $4.75 per hour. However, I believe that for most steel producing countries—and I know that for Japan—steel employees are among the highest paid group of workers in their own countries. Allegations of "cheap labor" are unfounded. Furthermore, while U.S. steel wages have increased at a steady pace, steel labor productivity has increased even more. I draw your attention to Tables 4 through 7 (attached to the written statement), indicating that from 1960 to 1967 industry sales and shipments have risen more rapidly than have employment costs, whether measured by total employees or by production workers. We maintain that such unemployment as may exist in the steel industry is far more the result of technological advances and more intensive capital investment than it is of rising steel product imports.

The U.S. steel industry has claimed with pride that it is spending money for research and development at an annual rate well above $150 million, implying that the industry is not laggard in foresight. It is true that in recent years, the industry has indeed increased its effort to make up for its lack of innovation in prior years. However, in this connection, permit me to quote from an article entitled "The Trouble with Steel," from the prestigious *Challenge/The Magazine of Economic Affairs for July/August 1967:*

"The record of the steel industry in this respect is rather shocking. Thus a 1966 report of the National Science Foundation revealed that in 1964 the steel industry devoted less of its sales dollar to research and development than all but three of the 16 industries surveyed. The industry spent only 60 cents of every hundred dollars of sales revenues on R&D, compared to a $1.90 average for all manufacturing industry. Even more revealing, all the industries that produce substitutes for steel products—aluminum, cement, plastics and glass—spent more on R&D than the steel industry, sometimes five and six times as much."

Vague and generalized statements have been made that, compared with the United States steel industry, foreign steel industries have been greatly advantaged by their respective governments in terms of financing, export promotion, and import protection of their home markets. These widely disseminated assertions, upon examination, are best characterized by their total lack of specific detail. With regard to the European or other steel industries, we must leave answer to others more knowledgeable. We believe that the allegations are lacking in substance insofar as the Japanese steel industry is concerned.

It has been stated that the Japanese industry "is heavily favored in terms of capital supply." Statistics on this matter, for the years 1960 through 1966, have been submitted to Professor Weidenhammer in connection with his steel study for the Senate Finance Committee. An examination of these figures does not bear out the allegations. First, governmental loans to the steel industry are at the same rate of interest as those from private banks; this rate (8.2 percent per annum) can hardly be considered favorable, especially when compared with the rate at which the U.S. steel companies even today are able to borrow money. Second, at *no* time, over this seven year period, have governmental loans exceeded 1 percent of new capital for the industry. Third, the major sources of investment funds for the industry have been retained profits and depreciation, the flotation