of bonds, an increase of capitalization by the increase of shares, and loans from private-commercial banks. Over the period 1960–1967, the new financing provided by foreign loans (the World Bank, the U.S. Eximbank, etc.) has rapidly decreased and by 1966, the payment of interest on these foreign loans is well in excess of new capital so acquired. By and large, over the period, the major source of new investment has been retained profits and depreciation; this not unlike the experience of most U.S. steel companies. Thus the Japanese government has played a small role in the capital supply of that nation's steel industry.

Since Japan became a full-fledged Article 8 member in April of 1964 of the International Monetary Fund Agreement, no special income tax advantage has accrued to export industries, whether steel or other. Japan, like the United States, has an Export-Import Bank to help promote Japanese exports of all kinds. In the national interest, the Japanese Ministry of International Trade and Industry has exhorted its industries to extend their best efforts to expand exports, just as the United States Department of Commerce has exhorted American industries. Export goals have been set, which industries try to meet; this can hardly be considered much different from the U.S. Government's efforts to promote exports and to discourage investment abroad—on the basis of voluntary industry action.

It has been said that the Japanese steel market is "insulated from steel imports." We would like to point out that, during the recent Kennedy Round, the Japanese duties on steel imports were reduced by an average of 50 percent (see Table 10 attached to our written statement). The problem for prospective United States exporters of steel to Japan is not nontariff trade barriers; it is rather that the prices of United States steel products are so high that they could not be sold in the Japanese market, whether or not non-tariff import barriers existed. A Vice President of the Bethlehem Steel Corporation testifying before the Federal Maritime Commission in hearings involving freight rate differentials between the United States and Japan said that, even if there were no ocean freight charge for the export of U.S. steel to Japan, Bethlehem could sell little steel in the Japanese market because it could not meet the Japanese home market prices.

In any event, it is our understanding that—contrary to the usual assertions—the Japanese government does not exercise a restrictive import licensing system (with a few minor exceptions in certain small varieties of specialty steels).

We wish to draw your attention to Table 8 attached. It should be noted that during 1967, steel from Japan represented in volume only 92 percent of Japanese steel imports during 1966; this compares with a total steel import from all sources in 1967 of 107 percent of 1966 imports.

To seek quotas on steel imports is to seek an extraordinary degree of protection. That is obvious. It is equally obvious that a country dedicated to private enterprise cannot lightly or easily impose quotas on products competitive with those of its own industries. Extraordinary reasons must support extraordinary restraints. These extraordinary reasons have not been demonstrated for the United States steel industry, and, I submit, cannot be demonstrated. It may be that the American steel industry has not experienced the growth which other industries have experienced or that steel industry stocks are less attractive to speculators than the stocks of other industries or that steel company profits have not achieved so high levels as those of the more glamorous newer industries.

These facts, in themselves, even if true, do not furnish reasons sufficient for quotas—particularly when the industry has shown a steady pattern of growth which, whatever its impressiveness in *relative* terms, is undeniably impressive in *absolute* terms.

Textiles and apparel

Other significant items in the import trade from Japan which would be affected by measures before this Committee are textiles, apparel and other made-up goods which together totalled about $400 million in 1967.

It is clear that there has been no injury to the domestic textile and apparel industries by these imports. This assertion is completely substantiated by the report of the United States Tariff Commission requested by the President and the Chairman of this Committee. The report is an objective examination of all of the relevant data on the performance of the United States industries and the impact of imports. It documents the substantial growth and progress of these industries and the strong position they have attained in competition against imports.

There has been, in our view, considerable misrepresentation of the import trade from Japan in textiles and apparel. A principal finding of the Tariff Commission