

materials. These are purchased by the steel industry from whatever source can supply the best merchandise at the best price.

Thus if foreign machines are better and less expensive than American machines the steel industry has recognized the facts of life by importing those foreign machines.

For another example, take iron ore—which competes with vast stocks of domestic scrap as a basic raw material in steelmaking.

Last year the domestic steel industry imported approximately 50 million net tons of iron ore from foreign mines. Domestic iron ore and scrap is certainly available for our steel furnaces. There is no problem of supply.

Yet the U.S. industry sees no inconsistency in buying its equipment and raw materials from foreign sources in the open market while demanding a closed market for its products.

In making these points, we wish to make it clear that we *are not* requesting a shield against competition from foreign raw materials, such as iron ore, which competes directly with scrap.

We exporters are vigorous and competitive. We haven't gone soft.

OTHER ADVERSE AFFECTS OF IMPORT RESTRICTIONS

I have spoken here of the adverse effects of steel import restrictions on our domestic scrap industry, on our exports of scrap, and on our own steel industry as well. There will be other adverse effects as well. Take one case which is familiar to me from my own personal experience. My company is presently involved in negotiating with leading Japanese steel mills for the export from the United States to Japan of some \$750,000,000 worth of iron ore "pellets" to be produced from mines in Arizona over a period of 10 years, starting in 1969. The choice presently open to the Japanese mills is to supply their long-term needs for these "pellets" from mines to be developed either in Australia or in Arizona.

I fear that the result of any import restriction on Japanese steel would be to foreclose this possibility for the export of Arizona products to Japan. The result, from our balance of payments, would be a double loss: About \$750,000,000 of favorable exports would be lost directly; and additional large sums would be debited against our balance of payments as the result of the transfer of American capital to finance the Australian mines.

This example can no doubt be multiplied in case after case. The plain fact is that import restrictions, if adopted, would have a long-term adverse effect on a broad range of American industries dependent on export. They can be expected not only to limit existing export trade but also to choke off possibilities for expanding that trade.

SUMMARY

On the basis of this testimony, it is our hope that the Congress will carefully consider the consequences of any new and artificial restraints on world trade.

We hope that you will take the opposite position and enact the Trade Expansion Act of 1968.

In summary, we argue that quotas on steel imports could:

1. Further upset our balance of trade.

The 245 million dollars we receive from foreign scrap sales and the substantial amounts coming in from steel exports would be drastically reduced.

2. Effect national defense.

On June 12—last week—Governor Price Daniel, Director of the Office of Emergency Planning, publically stated that "scrap metals have always been considered part of our resource of strategic materials; this is especially true of iron and steel scrap . . . any serious effect in this sector of our economy would, in turn, have an adverse effect on our defense position in an emergency."

3. Stimulate inflationary trends.

The greatest deterrent to unreasonable price increases by the domestic steel industry is the competition afforded by foreign steel products. Import barriers will automatically produce higher prices on domestic steel, thus further inflating the economy to the detriment of the American consumer.

4. Accentuate the solid waste problem.

President Johnson, in his March 8, 1968, message to Congress said that "the problem is not only to learn how to get rid of these substances (solid waste)—but also how to convert waste economically into useful materials."