The very serious question of balance of payments most certainly must be considered in the context of trade controls. An important part of the balance of payments matter is the nation's balance of trade—which last year registered a surplus of $3.6 billion, one of the few bright spots in keeping the balance of payments from worsening. Trade controls, we are sure the Committee has been and frequently will be reminded, would be more than likely to wipe out that surplus. Nations which have threatened to retaliate against our further trade controls are not just registering idle protests. Our exports are needed by the world, that is true, but we are not the only source of supply for our present trading partners—and already these partners are preparing to buy from other countries, including the Communists, if they find their own products turned back at our borders.

Gentlemen, it is hard for those of us who have grown accustomed to the inherent wealth of our own economy and the rich resources of our own country to realize what it is like for a resource-poor country, like Japan, for instance, to live under the constant threat of losing its major customer. If we were to seal off our country from the rest of the world, if we were to halt all exports and imports, all trade and diplomatic relations, we could still survive quite adequately. What an interesting prospect that presents!

But very few countries could do the same. Japan would perish, as we know her today. Japan, who, incidentally, is our best customer overseas, who buys more U.S. products than any other country except Canada, is a prime example of what we mean—and this is a very opportune period to point to Japan. It was just 100 years ago this year, at the beginning of the Meiji Era, that Japan began seriously trading with the world. That trade made Japan a powerful nation, and it turned every Japanese businessman into an internationalist. Without trade Japan would revert to the nation she was 100 years ago. Without trade, the United States would not so revert. There is nothing more vital to Japan today than her worldwide sources of raw materials and other commodities which she can not or does not produce, combined with worldwide markets for her own products. Japan's industries are quite young, compared with ours, but her industrial growth since the war has been a technological miracle. Aid from the United States has been a major part of that growth, but such aid has not been completely eleemosynary. We obviously need a strong and friendly Japan on the coast of Red China.

So, countries like Japan, to which trade is so vital for their very existence in the modern world, must continue to import and export. Trade to them is a basic economic requirement, and if we turn them away at our borders they will be forced to do their business through trade channels which could well isolate the United States.

Costs of many of our commodities are already pricing them out of foreign markets; yet, we need the ability to expand our exports. Shall we make the final business blunder by putting new controls on imports, and thereby create our own barriers for our own exports? The problem of export expansion is directly related to our own inflationary trend. Domestic steel is one of the leaders in the inflationary trend. Since 1946, according to a Senate Finance Committee report, domestic steel has increased its price on finished steel products by more than 150 percent—compared to the average increase of all commodities during the same period of just over 60 percent.

The Weidenhammer report, to which we are referring, shows that steel prices increased almost 150 percent between 1946 and 1959. That year 1959 is critical to consideration of imported steel since it was the year of the last long steel strike and it was the year that American importers and especially manufacturers were forced to turn to foreign sources for their steel. American Iron and Steel Institute figures show 1.8 million tons of steel imported in 1958 jumping to 4.6 million tons in 1959. Imports then slackened somewhat until 1963, when they passed the 4.6 million ton figure for the first time and have been climbing to 11.5 million tons last year.

But the interesting fact relating to inflationary trends in the domestic steel industry is that during the period of generally increasing import competition since 1959, until 1966, steel prices increased less than seven index points. Seven index points in seven years, as opposed to more than 162 index points in the 13 years between 1946 and 1959. Is it not possible, then, that the impact of imports was a major contributor to that slowdown in the domestic steel inflationary spiral? Would not removal of foreign competition give the domestic industry a