

of steel wire—an increase of 117,000 tons of 25%. This represents nearly two-thirds of the total wire production of the members of our Association.

It seems quite apparent from these figures that the so-called "free trade" policy which has been our government's official policy, does not result in reciprocal trade in the steel wire industry. A once thriving American export business has in a quarter century been replaced by an ever increasing invasion of the American market by foreign producers.

Why is this so? How could imported wire make such an invasion of the domestic market? Fine and specialty wire is one of the highest labor content items produced from steel. It is estimated that 10 to 12 man-hours are required to produce one ton of the average steel hot rolled mill product. In contrast, a survey by our Association disclosed an average of 35 man-hours required to produce a wide range of fine and specialty wires. A very special item such as 0.006" coated rope wire (which is used in aircraft control cables) has a labor content of 131 man-hours.

It is a well known fact that wage costs—including fringe benefits—are much lower in other countries than in the U. S. They run from something in the range of $\frac{1}{3}$ of ours in West Germany to $\frac{1}{2}$ of ours in Japan. Thus, the very nature of our product with its relatively high labor content makes it an attractive target for those nations seeking to increase their trade dollar with the U. S. It must be remembered that these lower wages affect other costs as well as the labor directly involved in producing a piece of wire. Indirect labor, such as supervision and other management functions, is also much less costly in overseas nations. Capital costs such as buildings and machinery are also lower because they are in the long run made up largely of labor costs. For instance, foreign made wide-drawing machines of good quality are available in the United States for about $\frac{1}{2}$ of the price of American made machines. If we buy this equipment to produce our wire we reduce our capital costs but then take away jobs from American machinery builders. In our industry it is not uncommon for overhead costs to be equal to, or higher than, direct labor costs, so that this aspect of the cost advantages of lower foreign wages cannot be overlooked.

There was a time, years ago, when our technological advancement kept us ahead of our lower-waged competitors. However, this advantage largely disappeared as post-war technological assistance pacts were put into effect and our more advanced machinery and techniques were dispersed to the entire world. We are today competing in the world market place—including that portion which is in America—with labor costs far above those of our competitors and with no compensating advantages.

You might expect then that perhaps we would have higher tariffs in the U. S. to at least partially equalize this difference in standards of living. As mentioned earlier our current rate is $8\frac{1}{2}\%$, while in England it is 25% ; in France it is 12.4% ; in Japan it is 15% .

Only Germany, with 8% , and the Bene-Lux countries with 6.4% are lower than ours. However, both these have a turnover tax which is added to the tariff. Obviously then, fine wire producers in America—and their highly paid workers—are not given even as much tariff protection in their home market as are their competitors overseas.

It has been urged on all American business that they expand their export efforts. As has been shown, our industry has had rather the opposite result. In fact, those of our members now doing any volume of business in foreign countries do so by producing the wire in those countries. These foreign subsidiaries do, of course, hopefully contribute something to the profits of the U.S. Corporation but they certainly do not give jobs to those American workmen thus displaced—nor to new workers who might otherwise have been employed.

Let us quickly examine a few of the reasons for the decline in exports of fine wire. First and foremost, of course, is our previously discussed cost disadvantage. Even considering that we make the finest wire in the world and are more service minded than most foreign mills, our costs necessarily result in prices which are almost laughable in overseas markets. Then, we must add to this the higher tariffs in most other countries as well as the non-tariff trade barriers, such as turnover taxes, total value added taxes, quotas, and outright forbiddance of any imports. In this latter category many of the developing or growing nations, forbid any imports once the local industry is capable of producing the product. This barrier is maintained even though the price of the product produced locally may