Mr. Fulton. Thank you, Mr. Cunningham. Your statement refers to the OEP finding that the ferroalloys industry is essential to our national security. Is this still true?

Mr. Cunningham. It is still true. They answered it and recognized us as being a part of the mobilization base in 1964, but thought we were not harmed enough for them to take action, and it was denied after a year of waiting. Now we have filed again. We are a lot worse off than we were then.

Mr. Fulton. Could you spell out what your industry has done in the past wars for the benefit of the record?

Mr. Cunningham. In the Second World War the first priority was the building of ferroalloy plants because ferroalloys come before steel. It is a base part of steel and I know in the case of our company two plants were built, one by the Defense Plant Administration, and one by our own company. The ferroalloys industry was expanded about 50 percent at that time in order to carry on the Second World War.

The Korean war came along and I think about 25-percent expansion took place in the ferroalloy industry, mostly by industry itself, in some cases by Defense Plant or by writeoffs of tax credits.

During the Vietnam war we haven't had that problem because again so much of the business has been taken by imported ferroalloys.

Mr. Fulton. Could you possibly predict what your role will be in possible future emergencies?

Mr. Cunningham. Well, as long as steel is required and as long as aluminum castings are required and as long as stainless steel and the specialties are required, ferroalloys have to be available or these products could not be made.

Mr. Fulton. Your statement refers, Mr. Cunningham, to the increased imports of various ferroalloys during the past few years. Do you foresee a continuing increase in these imports, and if so, why?

Mr. Cunningham. Yes. Well, the main reason is that their labor rates are about one-sixth of ours and they can continue to ship in here with little or no tariff. The tariffs will be virtually removed through the Kennedy round. Even before now, there was very little tariff protection.

What there was is being removed, already 20 percent, and in the next 4 years it will be almost completely eliminated, and they have a wonderful market here and they are taking advantage of it.

Mr. Fulton. Do you possibly foresee a continuing increase in these imports?

Mr. Cunningham. I think so. The profitability of the domestic industry is falling off rapidly, particularly the manganese alloys, which is a sizable part of our industry; we have taken a survey of our group and the net for 1967 was a loss, so this is pretty good evidence of where we stand.

We can't build furnaces on a loss.

Mr. Fulton. I just wonder what steps your industry has taken to reduce costs in order to compete with imports.

Mr. Cunningham. Our company built the largest ferroalloy furnace in the world and turned it on here about a year ago. The industry has recently built big furnaces, the most modern that are known. We still have to pay $4.60 an hour for labor as opposed to the same furnace maybe in Norway or in Japan at 60 or 80 cents an hour.

Mr. FULTON. Mr. Cunningham, one last question. Your statement also mentions the decline in profits in your industry. Is this true in all segments of your industry?

Mr. CUNNINGHAM. Yes. We represent the major ferroalloy producers and this is based on a survey that we have taken going back over a period of years. My company, Ohio Ferro-Alloys, is involved in silicon manganese and chromium—and this is all we produce—it affects us in all categories of our operations.

Mr. FULTON. Do you consider it a short-term trend, or do you think it is something that will continue?

Mr. CUNNINGHAM. No; it started in the late 1950's and has continued, and it is continuing at a more rapid rate now in the last 2 years than before.

Mr. FULTON. Thank you, Mr. Cunningham. Mr. Curtis.

Mr. CURTIS. Has your industry taken a position on the administration bill?

Mr. CUNNINGHAM. We have read it but our position would be that it wouldn't be of any help to us because we cannot export and——

Mr. CURTIS. I appreciate that but I am referring to the machinery more than anything else. Have you taken a position on extending the present machinery we have for handling international trade? That is one of the aspects of the administration bill.

Mr. CUNNINGHAM. In our industry it is a one-way street. The imports are coming in and we can do nothing about them.

Mr. CURTIS. Well, you just haven't taken a position on the bill. I guess that is what the facts are.

Mr. CUNNINGHAM. That is right, as a group, no.

Mr. CURTIS. What about the Kennedy round? In answer to questions here you indicated that it had possibly adversely affected you. Have you taken a position in respect to how the Kennedy round has affected you?

Mr. CUNNINGHAM. It has adversely affected us.

Mr. CURTIS. To what degree?

Mr. CUNNINGHAM. Because it reduced what tariffs we have.

Mr. CURTIS. To what degree? Seriously?

Mr. CUNNINGHAM. In one case we had a 4-cent tariff on silicon metal that sells for around 16 cents and that has already been reduced now by 20 percent to 3.6 cents. In a matter of 5 years there will be no tariff on silicon metal.

Mr. CURTIS. Has your industry taken an overall reading of the impact of the Kennedy round? You mention one item but I am interested in the whole package.

Mr. CUNNINGHAM. Some of the other items had so small a tariff on them that it didn't have much effect.

Mr. CURTIS. I appreciate that and as each industry comes before us I am anxious to find out what impact they think the Kennedy round will have on it. One of the first questions to be answered is whether or not the industry has made a study of the overall picture. If you would supply a memorandum for the record rather than trying to answer it at this time. I would appreciate it.

Mr. CUNNINGHAM. I shall do that. (See p. 2191.)

Mr. CURTIS. Do you think that the machinery we have for establishing a national security finding is satisfactory, or do you think that we ought to possibly change that machinery? You say that you were turned down by the OEP. Do you feel that you were granted full, comprehensive hearings or do you think there is something in error in the legislation or the machinery as we have it?

Mr. CUNNINGHAM. We filed and were turned down. We filed the second time. I have no indication of what is going to happen.

Mr. CURTIS. Congress is essentially in the business of trying to establish the machinery, the structure, to evaluate the problems of your industry as a necessary part of our mobilization base. The question is what is the impact of imports on that base?

We established what I thought was fairly good machinery to make these findings. Sometimes there are going to be differences of opinion on the facts but maybe we need to do something with the machinery.

Mr. CUNNINGHAM. We think it is inadequate. I think you asked the steel industry this morning whether they filed with OEP.

Mr. CURTIS. Yes.

Mr. CUNNINGHAM. In our case we did earlier, in 1963, and we spent a lot of time. We waited a year and finally got a decision and the decision was against us. We have just recently spent a lot more time and Mr. Symington prepared a brief bringing our situation up to date. We filed this on May 24 with Gov. Price Daniels. What is going to happen to that we don't know but in the meantime we know this: That the security of this country we believe is being endangered.

Mr. CURTIS. I am sure you believe it, but hopefully these people at OEP are concerned the same way you are. Maybe I can draw the point out this way.

You use the courts for a number of reasons for determining differences of opinion. Just because the court rules against you doesn't mean that the structure of the court is wrong, but it can be.

The machinery itself can be inadequate and I am seeking to learn whether or not our machinery is inadequate or perhaps our guidelines and criteria of how we determine what is national security are inadequate. Just because you have lost the case doesn't mean to me necessarily that the case wasn't heard fairly. The decision, weighing everything, was that national security wasn't involved. On the other hand, maybe it was and the problem is that we just aren't set up to evaluate national security adequately.

Mr. CUNNINGHAM. We asked for import quotas in this application and I think this is handled by the executive branch of the Government. Whether we are going to get quotas through this avenue or not or whether we are going to get some kind of protection—maybe that isn't the word, but some kind of relief or implementation that will——

Mr. CURTIS. Yes; but you are appealing to this committee and the Congress saying that there is national defense involved and you present data here in a very proper way.

Congress is the one that created the OEP. Well, I have explored this issue, I guess, about as far as I can. You are asking for quotas directly but one of the bases for asking for quotas is the same basis on which we gave the power to OEP to grant them. So in one sense, and this is a proper sense, we sould be looking over the shoulder of OEP to see how it has rendered its decisions to see whether our guidelines are right. Your testimony on this point would be very helpful.

I wish you would state if you think that the Congress did not set up this machinery correctly, just as I said to the steel people this morning, or whether the fault lies in administration. Writing additional laws, which again will put power in the hands of bureaucrats. is no answer. I mean that kindly—these are good people, mostly civil servants—but there is no reason to believe that we can write laws that will solve problems if they are not carried out the way we intended. Laws written well, but not being administered well don't call for new laws. (See p. 2191.)

Mr. CUNNINGHAM. I think that your committee could help us with what we have already done when we filed. At least we are one jump, maybe, ahead of some of the other industries. We have already filed a second time. If your committee can do something in this regard—and we have all the data in here, I think, or it can be worked up—this would be appreciated.

Mr. CURTIS. Of course it is very helpful. One other question. You have been asking for quotas. Do you regard this as a temporary device, or would you expect from now on to operate under a quota basis?

Mr. CUNNINGHAM. I would have to answer it pretty much the way the steel people answered this morning—temporarily, if some arrangement can be worked out where world producers of ferroalloys all compete on an equal basis. If there is going to be allowance for wage differentials in various countries taken into consideration or the standard of living is the same in Japan as it is in the United States, then I think we can compete with them anywhere.

Mr. CURTIS. You feel that your basic problem in competition is wage rates?

Mr. CUNNINGHAM. Yes; it is a major part. On some of these alloys, the origin or the virgin ore, such as manganese ore, may lay in India, and they build a plant on that mine site. Naturally they have an advantage over us, where we have to bring the ore here to convert it.

On the other hand, I think the major problem is the differential in wage rates that is hurting the industry.

Mr. CURTIS. Are there any unfair trade practices that you have been able to identify or suspect such as Government subsidies? (See p. 2192.)

Mr. CUNNINGHAM. I just happen to have one from the London Metal Bulletin. It is an article on May 17, 1968. It says:

> Subsidy for Indian ferromanganese. The Indian Government has decided to grant a cash subsidy of 150 rupees per metric ton to producers exporting standard high carbon ferromanganese. The need for the subsidy, which works at about 20 percent ad valorem at current prices, has arisen as a result of the low prices in export markets. Minerals and Metal Trading Corporation is the sole exporting agency.

What they are saying is that the market price here in the United States, the import market price, is too low so they are going to help out their producers by 20 percent to meet it.

Mr. CURTIS. It is possible that this would give rise to the application of countervailing duties.

Mr. CUNNINGHAM. We understand that and we are investigating this. This happened—at least they advertise this—in India, but it is a minor producer from the standpoint of imports to the United States.

Mr. CURTIS. But again here the machinery exists and I am anxious to examine it to see whether the machinery is adequate, or whether there has been a failure to administer the machinery, or whether we might be of assistance through amending our laws.

Anything you would care to supply further along these lines for the record I would appreciate.

Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?

If not, Mr. Cunningham, we appreciate your coming to the committee.

Mr. CUNNINGHAM. Thank you.

(The following letter was received by the committee:)

COMMITTEE OF PRODUCERS OF FERROALLOYS AND RELATED PRODUCTS,
Washington, D.C., July 12, 1968.

Hon. WILBUR MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to several questions addressed by Mr. Curtis to Mr. Cunningham when the latter testified before your Committee on June 18th on behalf of the Committee of Producers of Ferroalloys and Related Products.

(1) Mr. Curtis's first question had to do with the anticipated impact of the Kennedy Round upon the ferroalloys industry.

The Kennedy Round imposed further duty reductions for most ferroalloys products, but in assessing its impact one must bear in mind also the already substantial reductions in duties for these products which were made in the several negotiations prior to the Kennedy Round. (See Table 1, attached, showing for each product the successive reductions from the 1930 duty levels). These earlier duty reductions had substantial adverse effects upon the domestic industry, particularly in terms of lower and lower domestic selling prices as the duties kept going down. (See examples in Tables 2a and 2b, attached.)

As a result, when the Kennedy Round negotiations were announced, the duties applicable to most segments of the ferroalloys industry were already so low that they were largely ineffectual as a factor in controlling imports of these products. Nevertheless, in 1964, as part of the hearings preceding the Kennedy Round, the industry as a whole, and many of its individual producers, submitted oral and written statements to the Tariff Commission to show why further duty reductions would serve only to accentuate the injury already suffered by the domestic industry on account of imports. As is evident from Table 1, these statements were apparently ignored by our negotiators, and the already low duties were cut even further as a result of the Kennedy Round.

The domestic ferroalloy producers feel that the Kennedy Round will probably stimulate foreign producers of most of the products involved to intensify their efforts in the American market, with imports continuing to increase. In all probability, too, the sales prices of the foreign-produced products will be reduced proportionately with the reductions in duty, just as happened following the earlier duty reductions. (See Tables 2a and 2b.) On the other hand, it should be noted that there are virtually no exports of U.S.-produced ferroalloy products, and no reasonable likelihood that the industry will derive any benefit from the Kennedy Round in that respect.

In sum, the result of the Kennedy Round will be a further undermining of the viability of the domestic industry. As indicated in Mr. Cunningham's testimony, our Committee recently filed an application with the Office of Emergency Planning under Section 232 of the Trade Expansion Act seeking the Government's help in maintaining the viability of this industry for national security purposes. It is the Committee's strong hope that you, Mr. Curtis, and other members of your Committee will deem it appropriate to advise the OEP of your interest in our problem.

(2) Secondly, Mr. Curtis asked whether the machinery established by the Congress in Section 232 of the Trade Expansion Act is adequate to protect the national security in the case of domestic industries which are threatened by increasing imports.

As you may know, the domestic ferroalloy industry unsuccessfully sought relief under Section 232 in 1963–64. The industry felt that the facts and figures developed in that earlier investigation warranted favorable action by OEP under the language of Section 232—particularly since OEP acknowledged that this industry was an essential part of our country's mobilization base. As it happened, however, conditions improved somewhat about that time, and the industry was able to modernize its facilities and maintain its position in the U.S. market for a relatively brief period. Shortly thereafter, however, the situation began to deteriorate seriously once more, and the current application was filed with the OEP in May of this year.

In filing this OEP application, our Committee assumed the adequacy of the mechanism established by the Congress, and the language of Section 232 itself, to provide relief from imports in cases where the national security is threatened—even though the industry was and is fully aware that, in the past, the Executive Branch has felt free on many occasions to depart from the apparent Congressional intent by reason of the administrative discretion written into that section. If the OEP should deny the current application, the domestic producers would undoubtedly feel that this would represent a misapplication or misinterpretation of the authority delegated to the President and the OEP under that Section.

Indeed, as suggested in Mr. Curtis's questions to Mr. Cunningham, the Section 232 language and machinery alone are no assurance that the Section will be properly administered. It was for this reason that, because of the seriousness of the plight in which the industry finds itself and the forecasts of continuing increases in imports, the industry felt it necessary to recommend specific import quota legislation to the Congress, in the form of H.R. 13996 (Mr. Hays, of Ohio), and H.R. 15417 (Mr. Anderson, of Tennessee). A companion bill S. 2653 has been introduced in the Senate by Senator Baker.

Perhaps, as suggested by Mr. Cunningham in his testimony before your Committee, the best way to make the present language work as the Congress intended would be for members of your Committee and others in the Congress who might support our OEP application (as against the alternative of import quotas via the legislative route), to make their views known to the OEP. On the other hand, if the OEP should turn down this application—which we believe presents an unusually strong factual case in respect to an industry which OEP itself has found to be defense-essential—then the industry might well urge that the Congress should strengthen the law by, perhaps, reducing the measure of executive discretion.

(3) Thirdly, Mr. Curtis asked whether there are any unfair trade practices which help foreign producers in the American market to the disadvantage of domestic producers, and whether the machinery to combat such practices is adequate.

On several occasions in recent years, when the prices of imports of certain ferroalloys appeared to be lower than those in the foreign producing countries, several of the domestic producers filed anti-dumping complaints with the Customs Bureau. After investigation, these cases were dismissed on the grounds that sales at less than fair value could not be established, or imports suspended from the countries against which the complaints were filed. It is our Committee's feeling, again, that the machinery provided by the Congress in the anti-dumping statute is probably adequate, but that it was misinterpreted or misapplied in this instance by the Executive Branch.

Another unfair trade practice is the subsidizing of exports, in which case domestic industry may obtain relief from injury by the imposition of countervailing duties. For example, Mr. Cunningham testified to the recent action by the Indian Government in granting cash subsidies equivalent to about 20 percent ad valorem for producers exporting standard high-carbon ferromanganese. During 1967, India exported 19,023 tons of this product to the United States, which was approximately 10 percent of the total imports of this product from all countries during that year. This information will be presented to the Treasury Department, asking for an investigation under the countervailing duty statute, and it is our hope that the machinery provided therein by Congress will be properly and adequately administered by the Executive Department in this case.

Finally, at the time the domestic producers were preparing their application for filing with the OEP in 1963, they considered other alternatives that might be available to them, particularly the escape clause. After considerable investigation, including informal discussions with Government officials, the industry decided that this statutory provision, as written, was not adequate to meet their problem. Thus, the escape clause is one area in which strengthening amendments are needed in order to provide relief for domestic industries, such as the ferroalloy industry, which are seriously and adversely affected by increasing imports.

We would be pleased to try to furnish any further information, or to answer any further questions that you or other members of the Committee may have, relating to the problems of this industry in relation to imports.

Sincerely,

LLOYD SYMINGTON.

TABLE 1.—TARIFF ON FERROALLOYS 1930 THROUGH 1972

TSUSA item	607.37	607.36	607.35	607.57	632.32	607.31	607.30	632.18	607.50	607.51	607.52	607.53
	Ferromanganese					Ferrochrome			Ferrosilicon			
Article year	High carbon (cents per pound)	Medium carbon (cents per pound)	Low carbon (cents per pound + percent ad valorem)	Silico-manganese (cents per pound + 90 ad valorem)	Electrolytic manganese (cents per pound + percent ad valorem)	High carbon (cents per pound)	Low carbon (percent ad valorem)	Chromium metal (percent ad valorem)	Over 8 percent, not over 60 percent silicon (cents per pound)	Over 60 percent, not over 80 percent silicon (cents per pound)	Over 80 percent, not over 90 percent silicon (cents per pound)	Over 90 percent silicon (cents per pound)
1930	1.875	1.875	1.875 +15	1.875 +15	1.875 +15	2.5	30.0	30.0	2.0	3.0	4.0	8.0
1935	1.00					1.25	25.0	25.0				
1948	1 1/16			15/16 +10		0.625						
1951	5/8		15/16 +10	15/16 +7.5			12.5	12.5	1.0	1.5	2.0	4.0
1955			15/16 +7½									
1956			0.9 +7				11.0	11.5	0.9	1.4		
1957			0.85 +6½				10.5	11.0		1.3		
1958			0.8 +6					10.5	0.8	1.25		
1959			0.7 +5				9.5					
1960		0.9375	0.6 +4.5				8.5		0.72	0.84		
1968	0.55	0.80	0.5 +4	0.84 +6.5	1.875 +14		7.5	9.0	0.5	0.75	1.8	3.6
1969	0.50	0.70	0.4 +3½	0.75 +6.0	1.7 +13		6.5	8.0	0.4	0.70	1.6	3.2
1970	0.43	0.60	0.4 +3	0.65 +5.0	1.6 +12		5.5	7.0	0.2	0.60	1.4	2.8
1971	0.35	0.55	0.3 +2½	0.56 +4.5	1.5 +11		5.0	6.0	0.1	0.55	1.2	2.4
1972	0.30	0.46	0.3 +2	0.46 +3.5	1.5 +10		4.0	5.0	Free	0.50	1.0	2.0

TABLE 2a.—EFFECT OF TARIFF ON IMPORTS AND DOMESTIC PRICE (TSUSA ITEM 607.30)

[Ferrochrome less than 3 percent carbon]

Year	Duty (percent ad valorum)	Imports (million pounds)[1]	Imports as percent of domestic consumption	Domestic price cents per pound[1]
1930	30			
1954	12½	2.9	1.9	
1955	12½	6.4	2.9	
1956	11	9.0	3.8	
1957	10½	9.4	6.1	39.0
1958	9½	8.9	7.6	39.0
1959	8½	16.5	10.6	39.0
1960	8½	7.3	5.9	34.4
1961	8½	8.9	6.7	32.4
1962	8½	34.6	26.1	32.3
1963	8½	32.0	19.2	24.2
1964	8½	26.2	12.7	22.0
1965	8½	68.0	30.0	25.5
1966	8½	103.0	42.8	25.2
1967	8½	74.4	31.5	24.5
1968	7½			
1972	4			

[1] Contained chromium.

TABLE 2B.—EFFECT OF TARIFF ON IMPORTS AND DOMESTIC PRICE (TSUSA ITEM 607.35)

[Ferromanganese less than 1-percent carbon]

Year	Duty (cents per pound[1] plus percent ad valorem)	Imports (million pounds[1])	Imports as percent of domestic consumption	Domestic price (cents per pounds[1])
1930	1.875 cents+15 percent			28.0
1954	15/16 cent+7½ percent	0.25	2.3	29.2
1955	do	.23	1.7	31.0
1956	0.09 cent+7 percent	.10	.8	34.5
1957	0.085 cent+6 percent	1.00	9.7	34.5
1958	0.80 cent+6 percent	.12	3.0	34.5
1959	0.70 cent+5 percent	.06	1.1	34.5
1960	0.60 cent+4½ percent	.43	6.0	34.5
1961	do	.72	9.5	32.0
1962	do	1.87	18.7	30.0
1963	do	1.12	8.5	25.5
1964	do	1.07	4.8	27.0
1965	do	1.81	7.1	27.0
1966	do	3.27	13.6	28.0
1967	do	8.15	33.5	
1968	0.50 cent+4 percent			
1972	0.30 cent+20 percent			

[1] Contained manganese.

The CHAIRMAN. Mr. Muntwyler. If you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENT OF F. C. MUNTWYLER, PRESIDENT, INDEPENDENT WIRE DRAWERS ASSOCIATION; ACCOMPANIED BY NORMAN GELLER, DIRECTOR, AND ALAN D. HUTCHISON, COUNSEL

Mr. MUNTWYLER. Mr. Chairman and members of the House Committee on Ways and Means, my name is Fred Muntwyler and I am president of the Independent Wire Drawers Association, as well as chairman of the board, and president of the Wire Sales Co. of Chicago. It is a great honor for me to appear before this distinguished congressional committee to discuss foreign trade and tariffs, with particular emphasis on the subject of steel imports. We have prepared a position or background paper on the subject of wire rod imports and the President's Trade Expansion Act of 1968 which we now offer for the written record.

My company, Wire Sales Co., like other members of the Independent Wire Drawers Association, is a consumer of hot rolled carbon steel wire rod—a semifinished steel mill product. This wire rod is manufactured into wire by us by drawing it through a series of dies which reduces the diameter of the rod while increasing its length. Thus, the description term "wire drawer."

The term "independent" is used to indicate these firms are not subsidiaries, divisions, or captives of the major steel corporations. We are "nonintegrated" in the sense that we do not possess basic steelmaking capacity.

Most members of our association also fabricate some wire products in addition to drawing wire. A wire fabricator manufactures a finished wire product from the wire, producing such things as nails, barbed wire, woven fence wire, and welded wire concrete reinforcing mesh.

I am here today primarily to tell you that imported wire rod has been the economic salvation of the independent wire drawers for the past 12 years. Big steel has consistently applied single and double price squeezes to the independents in the past. The details of these price squeezes is outlined in our position paper.

There have been times when major domestic steel mills refused to sell wire rod to Wire Sales Co. If it weren't for the availability of imported wire rod, my company would not be in business today.

The situation is no better now. While American mills are in some instances virtually offering to meet import prices on rods, they are on the other hand, totally unable to give delivery on wire rods even to the extent of 10 to 20 percent of our needs or requirements. So the price offer is really a false token and is not a valid one, and not of very much use.

There has been and still is, a very tight competitive market on wire rods. Within the last 3 months American mills have all increased their rod prices in spite of President Johnson's requests to the contrary. They have done this by increasing quality extras and the size extras. This is not a base change, although there actually was an additional $3-per-ton increase in the base price of rods.

The result has been a definite increase in costs as far as independent wire drawers are concerned. Meanwhile, the domestic steel mills maintained, and in some instances, definitely reduced the price of finished wire products—another double price squeeze for us.

My company does a fair amount of defense contract work. While we use American-produced rods for all our Government contracts, we have a great deal of difficulty in obtaining enough wire rods from American mills to even meet our Government commitments. This is indeed a regrettable situation. The domestic mills cannot possibly supply the balance of our rod requirements.

Yet, the domestic steel industry continues to complain about steel imports and seeks congressional approval of a steel import quota which would restrict wire rod imports. Without wire rod imports today, most independent wire drawers could not operate. A free market in wire rod is essential to the economic survival of independent wire drawers. We are, therefore, adamantly opposed to the imposition of steel import quotas, border taxes, or tariff surcharge which would impede the free flow of imported wire rod. As a matter of general principle, we support the President's Trade Expansion Act of 1968 with the addition of one technical amendment which is discussed in our position paper.

Mr. Chairman, I would like to make one further comment. As an independent businessman operating a small wire drawing plant which employs approximately 200 people organized by the United Steelworkers of America, I am alarmed to see the big steel corporations and the Steelworkers Union cooperating as they are here today at this hearing.

This can only result somewhere in additional cost to the American consumer and in all probability an additional squeeze on the small independent wire drawers.

Obviously, they make strange bedfellows at this or any other congressional hearing.

Gentlemen, it has been a pleasure and an honor to appear before you today. I would like my colleague, Mr. Norman Geller, of the Republic Wire Corp., of Carteret, N.J., to tell you of the recent experiences of his company in dealing with the United States Steel Corp. I would like to comment, for the committee's information, that just last month Mr. Geller received the annual "New Jersey Small Businessman of the Year" award from Gov. Richard J. Hughes.

Mr. Norman Geller.

The CHAIRMAN. Let me ask you this before Mr. Geller begins. You have a position paper to which you referred. Would you like that to follow your remarks or at the conclusion of Mr. Geller's remarks.

Mr. MUNTWYLER. The conclusion of both remarks, Mr. Chairman.

The CHAIRMAN. Without objection it will appear then at the conclusion of Mr. Geller's remarks. Mr. Geller.

STATEMENT OF NORMAN GELLER

Mr. GELLER. Mr. Chairman, members of the House Ways and Means Committee, my name is Norman Geller. I am a director of the Independent Wire Drawers Association and vice president of the Republic Wire Corp., of Cateret.

It is a privilege to appear before you today to discuss the subject of steel imports, in particular imports of hot rolled carbon steel wire rod.

My company, Republic Wire Corp., of Carteret, N.J., is basically a wire drawing mill, an independent nonintegrated wire drawer. Wire rod is our raw material. Since the inception of our company we have been a sometimes buyer of domestic wire rod due to the nature of the integrated steel mill's attitude toward us as a nonintegrated converter.

This dual distribution position of the big integrated steel mills creates a type of convenient myopia in that they find it difficult seeing us as a customer rather than a competitor. Up until 2 years ago we relied to a large extent on imported rod but were then approached by a large integrated steel corporation who contracted to supply us a major portion of our rod requirements at prices competitive with imports and a promise of uninterrupted continuity.

Republic Wire accepted the offer and we converted from imported rod to domestic rod. But earlier this year when the wire rod market developed in short supply in response to increased demand, our source began to indicate in conversations that a cut was forthcoming in our monthly requirement due to a shortage of hot metal for our rods.

We received one cut of approximately 40 percent for the month of May and then were informed of a cut to 10 percent for the coming month of July. At the present time subsequent to a recent newspaper account of the plight of the small steel business in the dual distribution industry our full allocation was restored.

It is my firm conviction that a steel import quota, border tax, or tariff surcharge would cause a rapid strangulation of the nonintegrated wire mills and wire fabricators and would eventually lead to their disappearance from our domestic industrial scene.

Thank you.

(The position paper referred to follows:)

Position Paper of the Independent Wire Drawers Association

I. INTRODUCTION

The Independent Wire Drawers Association is a national trade association representing over 30 independent non-integrated wire drawers and fabricators. The term "independent" is used to indicate these firms are not subsidiaries, divisions or captives of the major steel corporations. The term "non-integrated" is used in the sense that these firms do not possess basic steel-making capacity.

We would like to explain the term "wire drawer". Wire is manufactured from wire rod, a semi-finished steel product, by drawing it through a series of dies which reduces the diameter of the wire rod and at the same time increases its length. Thus, the descriptive term "wire drawer".

A wire fabricator manufactures a finished wire product from the wire, producing such things as nails, barbed wire, woven fence wire and welded wire concrete reinforcing mesh. Most members of the Independent Wire Drawers Association fabricate some wire products in addition to drawing wire.

II. IMPORTED WIRE ROD HAS BEEN THE ECONOMIC SALVATION OF THE INDEPENDENT WIRE DRAWERS BECAUSE OF THE PRICE SQUEEZES BIG STEEL HAS APPLIED TO THE INDEPENDENTS IN THE PAST

The basic raw material for the steel wire and wire products industry is hot-rolled carbon steel wire rod. In the United States, wire rod is produced by 15 vertically integrated steel mills; and 93 percent of U.S. wire rod capacity is controlled by a mere 12 of these producers, including such industry giants as United States Steel, Republic and Bethlehem. Steel wire and wire products, however, are produced by both the major integrated producers of wire rod and by many small, independent, non-integrated wire drawers and fabricators, who are dependent upon the integrated producers for their wire rod. Economists characterize this situation where a supplier is also a competitor as "dual distribution."

There is, however, nothing inherently evil about this dual distribution situation so long as a normal relationship exists between wire rod, wire and wire product prices which permit an adequate margin for converting wire rod into wire, and wire into products. But beginning in 1955, the behavior of these prices has not been normal, instead, these prices illustrate how an integrated producer in a dual-distribution industry can apply anticompetitive price squeezes to their non-integrated competitors.

The case of a typical wire product, annealed bailing wire, graphically illustrates the double price squeeze experienced by the independent wire drawers and fabricators. Prior to 1955 most independent producers purchased their wire rods from domestic steel mills at an average price of approximately $105 per ton. At that time bailing wire sold for around $192 per ton which permitted the fabricators a reasonable markup on the wire drawing and fabricating process. But the major steel producers raised wire rod prices in 1955, 1956, 1957 and again in 1958. According to the Bureau of Labor Statistics, wire rod prices rose more than any other steel product during the post-war period. The price of the finished product did not increase proportionately, instead it decreased. A point was reached, in many areas, where the raw material was selling at a higher price than the finished wire product. For example, during 1963 hot-rolled carbon steel wire rod was sold for $144.50 per net ton. Yet, the same integrated steel mill was selling annealed bailing wire for $141.50 per net ton.

The independent producer, of course, could not purchase wire rod from the integrated producers at $144.50, clean and draw the rod into wire, fabricate the wire into annealed bailing wire and then compete against a price of $141.50. As a matter of survival the independent producer had to turn to imported wire rod.

As a result of the double price squeeze applied by the integrated mills, wire rod imports increased from 47,800 tons in 1955 to 1,076,467 tons in 1967, about 10 percent of total U.S. steel imports. These imports are consumed almost entirely by the independent wire drawers, and it is estimated that imports account for about 50 percent of the non-captive wire rod market.

Over a 5-year period, when domestic prices were perfectly rigid at $144.50 per ton, comparable foreign wire rod was being sold at $110, $105 and at times even less than $100 per ton. Steel mill spokesmen were quick to boast of their unwillingness to meet foreign competition. Instead the big steel corporations sought the protection of the U.S. Antidumping Act by claiming the foreign wire rod was being dumped in the United States. The two Federal agencies charged with the administration of the Antidumping Act disagreed. The Treasury Department found Japanese wire rod prices were "not less than fair value", and the Tariff Commission dismissed the complaints against wire rods from West Germany, Belgium, France and Luxembourg on the grounds of "no injury to a domestic industry".

III. DOMESTIC STEEL MILLS CANNOT SUPPLY THE CURRENT TIGHT WIRE ROD MARKET, YET BIG STEEL STILL SEEKS IMPORT QUOTAS

In early 1965 the domestic steel industry reduced the price on so-called "common quality" wire rod from around $144 to approximately $125 per ton. For all practical purposes, this was a meaningless price reduction as far as the independent wire drawers and fabricators were concerned. In the first place, the price of $125 per ton was not competitive with the imported wire rod nor was it low enough to permit a fabricating markup. In the second place, the definition of "common quality" only applied to certain types of wire rod and other important types of wire rod used by independent wire drawers and fabricators were still sold at the old high, uncompetitive price.

On March 1, 1966, the U.S. Steel Corporation announced it was withdrawing published prices on low carbon wire rod, in order to aggressively compete against imported wire rod. Salesmen from the U.S. Steel Corporation have offered wire rod to most independent wire drawers at a price competitive with imported wire rod during the past two years. This price decrease has been met by most of the other major domestic steel producers. At that time the Independent Wire Drawers Association commended the domestic steel industry on its decision to meet foreign competition in the market place.

Now, while American mills are in some instances virtually offering to meet import prices on rods, they are on the other hand, totally unable to give delivery on wire rods even to the extent of 10 to 20 percent of the needs or requirements of most independent wire drawers. So the price offer is really a false token offer and is not a valid one, and not of very much use.

There has been and still is, a very tight competitive market on wire rods. For example, according to the 7 March 1968 issue of *The Iron Age:*

"In certain sections of the country, domestic steel producers are literally turning away business. Wire rod is the only product actually on allocation, says one steel executive."

Within the last two months American mills have all increased their rod prices in spite of President Johnson's requests to the contrary. They have done this by increasing quality extras and the size extras. This was not a base change. The price increase was accomplished by methods other than an open price base increase. Although there was also a subsequent $3.00 per ton increase in the base price of rods additionally.

The result has been a definite increase in costs as far as independent wire drawers are concerned. Meanwhile, the domestic steel mills maintained, and in some instances, definitely reduced the prices of finished wire products to put the squeeze on the independents.

If an import quota, a border tax or a tariff surcharge is imposed on imported wire rod it will definitely result in a drastic increase in the total overall cost of wire rods to all of the independent wire drawers throughout America. In some instances it would literally threaten to put them out of business, and in most cases it would create a very definite hardship. The American mills simply cannot supply the present demand for rods.

Yet the domestic steel industry continues to complain about steel imports and seeks Congressional approval of a steel import quota which would restrict wire rod imports. Without wire rod imports today, most independent wire drawers could not operate. A free market in wire rod is essential to the economic survival of independent wire drawers.

Wire rod is a raw material, the same as iron ore. Last year, 36.8% of all iron ore consumed by the domestic integrated steel mills was imported. The independent wire drawers believe the open-door policy should be maintained on wire rods just as it is on iron ore.

The Independent Wire Drawers Association is opposed to import quotas or border taxes or any tariff surcharges on imported wire rod. As a matter of general policy the Independent Wire Drawers Association favors the enactment of the President's Proposed Trade Expansion Act of 1968, with one suggested amendment which is discussed in Part IV of this Position Paper.

IV. DURING THE KENNEDY ROUND THE UNITED STATES REDUCED TARIFFS ON FINISHED WIRE AND WIRE PRODUCTS A FULL 50 PERCENT BUT DID NOT REDUCE THE U.S. DUTY ON WIRE ROD, THIS INEQUITY SHOULD BE CORRECTED UNDER THE TRADE EXPANSION ACT OF 1968 BY AUTHORIZING THE PRESIDENT TO ELIMINATE DUTIES WHICH ARE 5 PERCENT OR LESS

The Trade Expansion Act of 1962 authorized the President to completely eliminate duties on articles with an *ad valorem* or an *ad valorem* equivalent duty of 5 perecnt or less.[1] The Independent Wire Drawers Association and steel importer groups petitioned the Tariff Commission and the Trade Information Committee to place wire rod, an important industrial raw material, on the duty free list.

Instead, in an effort to harmonize U.S. and E.E.C. steel tariffs, the U.S. trade negotiators slashed U.S. duties on wire and wire products a full 50 percent and made no change in wire rod duties. This is particularly unfortunate, since U.S. independent wire drawers face severe competition from imported fabricated wire products, particularly welded wire concrete reinforcing mesh. The duty on welded wire concrete reinforcing mesh (TSUS Item No. 642.80) was reduced from 19 percent ad valorem to 9.5 percent ad valorem during the Kennedy Round.

As an alternative to placing wire rod on the duty free list, the Independent Wire Drawers Association and steel importer groups urged a single duty for wire rod, since the price of wire rod generally varies at just about 4¢ a lb. or $88.00 per metric ton, the breaking point for customs duty. Thus, the indepedent wire drawer is never quite sure what duty will be applicable. This is a matter of great inconvenience to steel importers and independent wire drawers and tends to create uncertainties in the trade.

It was unfair to the U.S. independent wire drawers to reduce the U.S. customs duties on competing fabricated wire end products a full 50 percent and not have reduced the duties on his basic imported raw material—wire rod. In all fairness to the U.S. independent wire drawer, the small duty on wire rod should be completely eliminated. Unfortunately, this cannot be accomplished under the proposed Trade Expansion Act of 1968. Therefore, we recommend that the Congress give serious consideration to authorizing the President to completely eliminate U.S. duties as part of a reciprocal trade arrangement where the duty involved is 5 percent *ad valorem* or *ad valorem* equivalent or less as was done in Section 202 of the Trade Expansion Act of 1962.

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[1] The U.S. tariff treatment of wire rod is as follows: Wire rods of iron or steel; other than alloy iron or steel; not tempered, not treated, and not partly manufactured:

TSUS Item No.		*Cents per pound*
608.70	00 Valued not over 4 cents per pound	1
608.71	00 Valued over 4 cents per pound	25

On an average, the *ad valorem* equivalent of these two specific duties is approximately 5 percent.

V. CONCLUSION

In the U.S. wire and wire products industry, imports of wire rod have been the economic salvation of the independent wire drawers. These imports have helped reduce the price of U.S. wire rod and now we are enjoying, to some degree, the benefits of a relatively free and open wire rod market in the United States. However, domestic steel mills, at the present time, are totally unable to give delivery on wire rods even to the extent of 10 to 20 percent of the requirements of most independent wire drawers. Consequently, American independent wire drawers are dependent upon imported wire rod as their basic raw material. The imposition of a steel import quota, border tax or tariff surcharge would have a disastrous result on these small manufacturing firms. Therefore, the Independent Wire Drawers Association favors an open door policy on steel imports and is opposed to the imposition of any restrictions on steel imports.

The Independent Wire Drawers Association favors the enactment of the President's "Trade Expansion Act of 1968" with the addition of an amendment authorizing the President to completely eliminate U.S. duties as part of a reciprocal trade arrangement where the duty involved is 5 percent *ad valorem* or *ad valorem* equivalent or less in the hope that the present small nuisance duty on imported wire rod can be completely eliminated.

The CHAIRMAN. Thank you, Mr. Geller. Thank you Mr. Muntwyler. Are there any questions of the gentlemen at the table?

Mr. CURTIS. Mr. Chairman.

The CHAIRMAN. Mr. Curtis.

Mr. CURTIS. It is not a question but I would appreciate it if the previous witnesses representing the steel industry would respond to the points that have been made. I personally will send a copy of this testimony to them and ask them to respond.

I think one of the main purposes of these forums is to have a confrontation between people who have different points of view and I would be very much interested in what response the steel industry which testified this morning would have on the testimony that you gentlemen have given us. Then you would have an opportunity of course to reply further.

Could the record be left open?

The CHAIRMAN. The record is open.

Mr. CURTIS. Very good.

(The following letter was received by the committee:)

UNITED STATES STEEL CORP.,
Pittsburgh, Pa., July 18, 1968.

Hon. THOMAS B. CURTIS,
House of Representatives,
Longworth Building, Washington, D.C.

DEAR MR. CURTIS: At the request of Mr. T. F. Patton, I am responding to your letter of June 24, 1968, which asks for comments on certain testimony made by Mr. Muntwyler, President of the Independent Wire Drawers Association before the House Ways and Means Committee on June 18, 1968.

The circumstances outlined by Mr. Muntwyler evidence the need for some reasonable limitation on steel imports if a viable American steel industry both integrated and nonintegrated is to be retained.

The attached exhibit of AISI statistics demonstrates the tremendous market penetration achieved by imports of wire and wire products which were sold at prices well below domestic market prices. These imports had an early disruptive effect on the ability of American producers both integrated and nonintegrated to market their products profitably. Many nonintegrated wire drawers lowered their wire and wire product prices in an effort to meet this foreign competition and were supported in their efforts by the growing influx of foreign rods also selling at severely depressed prices. U.S. steel lowered its wire product prices in certain instances in order to be competitive.

To endeavor to pinpoint domestic wire and wire product price deterioration chronologically or geographically to either group would be impossible. That the root cause lay with the flood of low-priced foreign wire and then later of rod products is clear.

It is a matter of record that during the late 1950's and early 1960's we elected to continue to sell our wire rod availability at profitable levels in remaining end use markets, since the extremely low-priced foreign small diameter rods rapidly captured the independent wire drawer rod market. Our sale of small diameter rods for redrawing had been reduced almost to zero by 1965. Faced with the alternative of discontinuing this product line and the operations of the related production facilities or attempting to meet import prices, we elected to do the latter for this specification of rod with individual rod users for specific periods. Since 1966 our wire rod mills have operated generally at a high level, but this incremental business has provided an inadequate return by itself and, obviously the procedure cannot be extended on all products.

At no time did U.S. Steel indicate its intention or capability to entirely supplant imported wire rods. To the extent we have been able to negotiate supply contracts with customers that purchase foreign rod, delivery performance has been satisfactory with the exception of the most recent period during which unexpected production mill outages reduced availability at a time when there was abnormally high demand for rods due to strike hedge buying.

A comprehensive study by the Senate Finance Committee staff showed that integrated steel companies, for the economic reasons similar to those that plagued the independent wire drawers, have discontinued operations at certain plants because of the lack of profitable business which was created in large measure by the great influx of foreign wire rod and fabricated wire products as shown in the attached exhibit. The adverse effect of low-priced wire rod and fabricated wire products on the domestic steel industry is graphically described by the Staff Study of the Committee on Finance of the Unitde States Senate of December 19, 1967, where at Page 243 it details the serious impact:

"LIST OF FACILITIES CLOSED DUE TO IMPORTS

"Jones & Laughlin: Barbed wire and woven wire fence (February, 1965); nails (Aliquippa, March, 1966).

"Armco: Barbed wire and fence (Houston, 1963)

"Pittsburgh Steel: Merchant Trade Products Division (1959); remaining rod and wire operations (Monessen, June, 1966).

"Colorado Fuel & Iron: Steelmaking facilities and hot mills for blooms, billets and rods (Buffalo, N.Y., 1963).

"United States Steel: Steelmaking and finishing facilities of Donora plant. In this case, however, imports were not the only reason for closing the plant—others include shifting markets, high costs of the mill, and air pollution (over a period of years 1961–64)."

This certainly shows the end result of massive importation of an individual mill product: gradually reduced domestic availability caused by the abandonment of production facilities and attendant loss of employment opportunities.

Mr. Muntwyler asserts that there have been times when major domestic steel mills refused to sell wire rod to Wire Sales Company. United States Steel has traditionally sold large quantities of semifinished products and other basic steel products to nonintegrated companies. We necessarily look to a strong and healthy nonintegrated steel manufacturing industry as a market for our products. We certainly have no attitude or general policy of refusing to sell available rod production to any class of buyer.

In conclusion, it should be evident that if imports of wire rods and wire and wire products continue to increase the United States would become virtually dependent upon imports,. Under the steel quota bill neither the Independent Wire Drawers Association nor any other group served by imports would be harmed by quotas based on recent import levels. Imports also would have the opportunity to compete for any growth of the domestic market. The independent wire drawers would be protected against unlimited quantities of low-cost foreign wire and wire products which they now are faced with in the market place. The position paper of the Independent Wire Drawers Association, submitted to the Ways and Means Committee June 18, 1968, points out their similar concern for the adverse effect of imported wire and wire product competition.

"In an effort to harmonize U.S. and E.E.C. Steel tariffs, the U.S. trade negotiators slashed U.S. duties on wire and wire products a full 50 percent and made no change in wire rod duties. This is particularly unfortunate, since U.S. independent wire drawers face severe competition from imported fabricated wire products . . . ."

We trust this will serve to answer the questions in your letter to Mr. Patton.

Yours very truly,

R. HEATH LARRY,
Executive Vice President, Public and Personnel Services, and Assistant to Chairman.

IMPORT MARKET PENETRATION

Year	Wire rods		Nails and staples		Barbed wire		Drawn wire	
	Imports	Percent of U.S. market	Imports	Percent of U.S. market	Imports	Percent of U.S. market	Imports	Percent of U.S. market
1949	5,731	0.7	2,366	0.3	100	0.1	3,199	0.1
1950	112,308	8.9	67,122	7.1	9,505	4.0	20,400	.7
1951	122,014	9.2	56,304	6.1	7,242	3.1	33,323	1.0
1952	44,005	4.3	18,509	2.8	26,250	10.1	12,595	.5
1953	65,415	5.3	40,173	7.1	16,090	9.1	21,753	.7
1954	39,849	3.6	92,694	14.1	53,380	28.8	44,979	1.8
1955	47,762	2.9	132,841	17.1	60,084	35.0	46,417	1.4
1956	64,192	4.1	113,683	17.1	62,297	46.0	60,045	1.9
1957	54,370	4.2	137,558	23.7	63,108	52.2	82,063	3.0
1958	181,283	13.9	201,226	32.7	59,253	51.9	169,853	6.6
1959	447,747	26.2	314,931	44.8	78,287	61.9	317,512	10.3
1960	408,213	27.3	239,549	43.1	52,973	52.8	270,651	9.8
1961	451,210	28.1	252,730	43.5	82,466	53.0	237,162	8.7
1962	644,611	35.0	281,595	47.0	66,601	47.6	313,149	10.9
1963	800,882	39.0	308,904	50.3	90,043	50.6	368,495	12.6
1964	952,778	39.8	309,665	49.6	72,424	47.9	460,327	14.7
1965	1,283,627	46.3	329,080	51.2	74,856	41.6	520,186	15.1
1966	1,150,303	42.7	288,987	47.1	76,506	31.4	581,049	16.9
1967	1,076,467	41.5	229,485	41.3	69,407	40.6	575,368	18.3
1968 (4 months)	430,078	39.6	97,264	44.9	29,657	33.8	209,015	17.6

Source: Imports, AISI; U.S. market, AIS-10 less AIS exports plus AIS imports.

The CHAIRMAN. Any further questions? If not, again we thank you, gentlemen.

Mr. MUNTWYLER. Thank you, sir.

(The following telegram was received, for the record, by the committee:)

DOWNEY, CALIF., *June 14, 1968.*

Congressman WILBUR D. MILLS,
House of Representatives,
Washington, D.C.:

We are opposed to steel import quotas. Our trade association representative for independent wire drawers will appear House Ways and Means Committee Tuesday, June 18, 1968. Please consider presentation. He states the case for many thousands of small independent businessmen.

DAVID P. PIERING,
President, Diversified Wire & Steel Corp.

The CHAIRMAN. Mr. Miranda.

Mr. MIRANDA, Secretary, of the Industrial Wire Cloth Institute. Mr. Miranda?

Mr. Hugo Neu.

Mr. Neu if you will identify yourself for our record we will be glad to recognize you.

STATEMENT OF HUGO NEU, CHAIRMAN, SCRAP INDUSTRY TRADE POLICY COUNCIL

Mr. NEU. Thank you.

My name is Hugo Neu. I am president of the Hugo Neu Corp. of New York City, which is owned by myself and my family. The main activity of our company and its subsidiaries is the export of steel scrap, international trade in scrap and ore, and the shipping of ore. Our company has engaged in this world trade for 20 years and I have been in the business for 47 years.

I am appearing before you as chairman of the Scrap Industry Trade Policy Council, which speaks for those firms in the United States that export iron and steel scrap plus some 300 iron and steel scrap processors who, because of the depression in the industry, have to rely on exports to continue in business.

With your permission I would like to file my complete statement for publication in the record of these hearings and will make a brief oral statement summarizing the position of the Scrap Industry Trade Policy Council.

The CHAIRMAN. Without objection your statement will appear in the record, Mr. Neu, following your oral statement. You are recognized.

Mr. NEU. My general purpose in testifying today is to oppose any unilateral restrictions in trade between nations and to support the Trade Expansion Act of 1968 submitted to Congress by President Johnson on May 18, 1968.

My specific purpose is to oppose the proposal that has been made for import quotas for iron and steel.

Since our Council experience relates primarily to international trade in iron and steel scrap my testimony is limited to these areas. For the benefit of those members of this committee who are not familiar with our industry, let me say that our 1,500 companies convert iron and steel into raw material used by steel mills and foundries in the production of new steel.

Unfortunately, there has been a steady decline in the proportion of scrap used in making new steel. As the result there has been lessening of demand for our products in the domestic market. There also has been increasing spiraling of railroad freight rates on scrap making it economically impossible to move the products over long distances by rail.

This has meant that our process must rely increasingly upon the export of products in order to stay in business. Troubled with the drop in domestic demands and higher transportation costs there has been a dramatic increase in the supply of domestic scrap, increased automobile production for example resulting in some 7 million vehicles annually being thrown into the national junk heap and littering our cities and countryside.

All of this has produced an economic depression in our industry. Prices of some scrap have dropped more than 50 percent in the last 10 years. Many of our yards are being forced out of business. Despite this, let me make it clear that unlike the steel industry we are not asking for government control.

Foreign steel mills have been almost the sole outlet for American obsolescent iron and steel on the west Coast, Gulf coast, and Atlantic coast with the exception of some small areas.

Exports have been our lifesaver. Without the export rate scrap prices would be at an even lower level than today and our producers would have been forced to close shop.

Last year we exported 7½ million net tons of scrap. This produced $245 million on the plus side in the balance-of-payments.

Our statement shows scrap shipments over the past 10 years and the countries to whom we export. Looking at the 1967 figures you can see that one of every six tons of scrap produced in the United States went to foreign steel mills. Many of these foreign mills ship out the finished products back to the United States.

When one realizes that much of the scrap comes from old cars one can easily draw a picture of what our landscape would look like if the export market for scrap were reduced.

For example, I am interested in three shredding mills which are using every day about 1,000 cars plus refrigerators, washing machines and all kinds of light iron.

We use about 750,000 cars per year in these three plants. They are located in Los Angeles, Boston and outside of New York City.

If you visualize that this 750,000 cars would not be consumed if there was no export market for scrap, you could visualize what the countryside would look like and this is only 10 percent of what is being scrapped every year in old cars.

This is the major project. This is not a question of beautification but it is a question of eliminating the tremendous dirt which would be accumulated in the countryside.

So it is a major problem which is before you gentleman to decide because if there is no import there will be no export.

Those of us who are scrap exporters recognize that domestic steel makers are very important customers of ourselves and we want these customers to prosper for the entire scrap industry could not prosper unless there is a viable steel industry in this country.

But we know something about our customers. We know that in order to compete effectively in world markets domestic industry must move rapidly ahead to match the technological development which is being achieved abroad.

Only with these improvements can the American steel industry succeed in maintaining its position in the world market but we can hardly expect capital improvement of this kind if our steel industry were to be granted Government protection against competition.

The steel industry itself appears to recognize this because they buy machinery wherever they find it most convenient. They buy raw materials as well. The foreign machinery is better and less expensive, the steel industry imports it.

If iron ore is cheaper the steel industry imports it rather than purchase domestic scrap or domestic ore. Last year for example the steel industry imported about 50 million tons of foreign iron ore abroad which competes directly with scrap iron and steel.

In making this point we wish to make it clear that we are not requesting a shield against competition from foreign raw material. We export vigorously and competitively. We have not gone soft.

I have spoken here of the adverse effect of steel imports restrictions on our domestic scrap industry, on our export of scrap and our own steel industry.

There will be other adverse effects as well. Take for example, something from my own experience. My company is presently negotiating with the leading Japanese steel mills for the export from Arizona of some $750 million worth of iron ore pellets over a period of 10 years starting in 1970.

The choice presently open to the Japanese steel mills is to supply their needs for these pellets from mines to be developed either in Arizona or in Australia.

As a result, any import restriction on Japanese steel would foreclose this possibility for the export of Arizona products to Japan. Thus in the example I have given the results for our balance of payments would be a double loss, about $750 million for favorable export loss directly and additionally large sums debited against our balance-of-payments as a result of the transfer of American sales to Australian mines.

Import restrictions if adopted would have a long-term adverse effect in limiting assisting U.S. export trade and the choking of the possibility of expanding the trade.

I summarize as follows: What steel import quotas will mean. First, upset our balance of trade. Two, cause further damage to the scrap industry. Three, adversely affect national defense. Four, stimulate inflationary trends. Five, accentuate the solid waste problem. Six, reproduce unemployment especially among the unskilled and semi-skilled who make up a large part of our labor force. Cut back the highway beautification program. Damage the domestic steel industry.

Information supporting each of these points is included in the prepared statement.

In conclusion I ask the members of this committee to remember that imported steel is partly an American product made from the scrap we export.

Thank you.

(Mr. Neu's prepared statement follows:)

STATEMENT OF HUGO NEU, CHAIRMAN, SCRAP INDUSTRY TRADE POLICY COUNCIL

Mr. Chairman and members of the committee, my name is Hugo Neu. I am president of the Hugo Neu Corporation of 45 Nassau Street, New York City, which is owned by myself and my family. The main activity of our company and its subsidiaries is the export of steel scrap, international trade in scrap and ore, and the shipping of ore. Our company has engaged in this world trade for 20 years and I have been in the business for 47 years.

I am appearing before you as Chairman of the Scrap Industry Trade Policy Council, which speaks for those firms in the United States that export iron and steel scrap plus some 300 iron and steel scrap processors who, because of the depression in the industry, have to rely on exports to continue in business. A list of the members of our executive committee, representing firms across the country, is attached.

Our general purpose in testifying today is to oppose any unilateral restrictions on trade between nations and to support the "Trade Expansion Act of 1968," submitted to the Congress by President Johnson on May 18, 1968.

Because of our personal knowledge and experience in the international iron and steel scrap trade, we will limit our remarks today to the specific legislative proposals for quotas or ceilings on the import of iron and steel products.

We are opposed to these quota proposals—on steel or any other products being imported into the United States.

They would have disastrous implications for our industry, which last year contributed 245.3 million dollars on the plus side of our ledger in the balance of payments through scrap exports to foreign steel mills. They would ignore the fact that the imported steel is in great part an American product, made from scrap produced by our industry within the United States.

They would result in more community blight—by adding to the pyramids of junked automobiles and other solid wastes now littering our cities and the countryside.

They would lessen the competitive impetus for the further technological improvement of our domestic steel industry which is so essential for it to maintain its position in the world market.

THE SCRAP INDUSTRY TODAY

For the benefit of those members of this Committee who are not familiar with the iron and steel scrap processing industry, let me say that our companies convert the nation's obsolescent iron and steel into a raw material used by steel mills and foundries in the production of new steel.

There are approximately 1500 companies in this country engaged in this cycling process. They take waste metals from manufactures; the iron and steel from wrecked buildings, ships, and railroad cars; abondoned autos, refrigerators and other household products; and from these they manufacture usable scrap for steelmaking.

Our industry plays an essential role in ridding our cities and countryside of ever increasing mountains of old cars, outworn equipment, and other waste materials. For example, modern scrap processing plants in which my own company has an interest, located on both the East and West Coasts, are presently converting automobiles into scrap without smoke, dust, or other pollution at the rate of about 1,000 cars per day for each of our plants.

The product we produce also plays an important role in the nation's conservation program, for the use of scrap by mills and foundries makes it possible to conserve irreplaceable natural resources. One and a half tons of iron ore, one ton of coke, and a half-ton of limestone can be saved for every ton of scrap used in making new steel.

Unfortunately, in relation to total steel production in the United States, there has been a steady decline in the proportion of scrap purchased and used in making new steel.

Steel mills have increased their dependence on basic oxygen furnaces, and are gradually discarding the old standard open hearth. But the basic oxygen furnace consumes only 30 percent scrap on the average in contrast to the 40–50 percent which open hearths consume. It is predicted that within a few years' time there will be no more open hearths.

A rapidly increasing spiral of railroad freight rates on scrap has made it economically impossible to move the product over long distances. This has meant that coastal processors of scrap have come to rely increasingly upon the export market of their product in order to maintain their existence.

Coupled with lessening demand and higher transportation costs, there has been a dramatic increase in the supply of scrap. Increased automobile production, for example, has resulted in some seven million vehicles annually being thrown on the nation's junk heap.

These factors have brought about an economic depression in our industry. The price of scrap has dropped by more than 50 percent in the last 10 years. For example, a No. 2 bundle, which is the equivalent of one baled car, brought an average price of $20.42 in 1967. Today it stands at $18.67. Compare this to $42.86 in 1956. That means the processor had to purchase the car, burn out all of the non-metallic components, remove all of the no-ferrous metals, bale it and then pay all transportation costs to the mill for less than 20 dollars.

One result: many of our yards have been forced out of business. According to business census statistics, there were 2700 companies in our business in 1958. By 1964, this figure had dropped to 1800. We know that the downward trend is continuing.

Let me make it clear to this Committee that unlike the steel industry, we are not asking for government controls. Even though we are considered an essential defense industry by the Office of Emergency Planning, even though the Department of Interior views us as a key to the conservation of natural resources, even though the national beautification program has recognized the vital role we play in ridding the landscape of unsightly wastes, we still believe in private enterprise.

We are investing our own funds in seeking technological breakthroughs that will make our product more competitive and many of the companies in the industry got together just last year to organize a Scrap Industry Research Foundation.

THE ROLE OF SCRAP EXPORTS

Until improved steelmaking and scrap processing technology lead to more scrap use, we need to bridge the gap between supply and demand by continuing our drive for overseas markets.

Without the stabilizing influence of an export trade, scrap prices would be at an even lower level than they are today and our coastal producers, who are handicapped by high freight rates to major consuming areas, would have been forced to close shop.

Foreign steel mills have been almost the sole outlet for America's obsolescent iron and steel on the Pacific Coast, the Gulf Coast, and to a lesser degree, the Atlantic Coast. Export sales have been a lifesaver by removing a part of the surplus that has been building up as a result of decreased domestic consumption and the increased supply.

Beginning in 1954, when it became apparent that steelmaking technology was working against domestic scrap use, we have made it our business to promote our product vigorously in foreign markets, as you will see on this table of scrap tonnage, and dollar volume.

TONNAGE AND DOLLAR VOLUME OF SCRAP EXPORTS

Year	Net tons	Value
1954	1,695,861	$51,612,364
1955	5,171,774	178,559,324
1956	6,446,461	300,619,633
1957	6,765,992	329,511,242
1958	2,927,860	95,411,786
1959	4,939,043	167,715,580
1960	8,039,668	241,572,314
1961	9,713,863	353,928,015
1962	5,112,266	149,037,480
1963	6,363,617	174,611,169
1964	7,881,055	243,064,735
1965	6,248,728	199,745,000
1966	5,773,666	172,418,000
1967 [1]	7,504,177	245,302,138

[1] Preliminary.

The significance of this trade is apparent when you view its relationship to the total consumption of purchased scrap.

Last year, in 1967, the total domestic and foreign consumption of purchased scrap was 42.6 million net tons, with a value of 2.5 billion dollars. Thus, our exports of 7.5 million tons meant that one out of every six tons went to a foreign steelmaker.

When you realize that much of this scrap comes from items like old cars, refrigerators, stoves, and other solid metallic wastes, one need not draw a picture of what our landscape would be like if export markets were reduced.

Historically our largest customer has been the steelmaking industry of Japan. Last year Japan purchased 5.3 million net tons of U.S. scrap for its mills.

When we speak of increasing America's export trade, we must always bear in mind that trade is a two-way street. By creating rather than reducing barriers, we end up by injuring our own economy, our own industries, and our own workers.

There is no question in our mind that restrictions on the importation of new steel from Japan would mean an automatic cutback in scrap exports. The result would be a blow to our balance of payments, further depression for the scrap iron and steel industry, unemployment of our workers, and a demand that tax money be utilized as local governments are forced in to the handling of solid, metallic wastes—a function that has always been a role of private enterprise.

One has to look at imported steel and realize that it is partly an American product—made from scrap we export.

Members of this Committee should know that we are busy promoting and selling our product all over the world. Last year, in 1967, we shipped to the following countries.

Country:	Net tons
Argentina	22,287
Benelux	2,322
Canada	542,373
France	13,510
West Germany	1,142
Italy	217,139
Japan	5,300,261
Korea	306,757
Mexico	747,280
Spain	85,150
Taiwan	83,076
Total	7,504,177

Gentlemen, though the figures I have given you on our exports indicate a healthy and vigorous trade, with 1967 being our best year since 1964, the possibility that this country will adopt a quota system on steel imports has already had an impact on our business.

Japanese mills are playing it safe and reducing their buying and their inventories of U.S. scrap.

In the first four months of this year, from January through April, our exports dropped 656,371 net tons over the same period in 1967.

Our four month shipments in 1968 totaled 1,745,564 tons.

During the same period the year before, we shipped 2,401,935 tons.

It appears to us that as prudent businessmen, the Japanese steelmakers are keeping their inventories low in the event that they may have to cut their production.

It is a straw in the wind.

Many other U.S. industries may also suffer if the Congress acts to provide an umbrella for the domestic steel industry. Though it is far afield from our business, I wonder if the U.S. companies who use imported steel to manufacture products sold abroad will be able to remain competitive in the marketplaces of the world. And I wonder what the impact will be on steel service centers or steel distributors who have been buying foreign steel for their customers here at home.

THE STEEL INDUSTRY'S DOUBLE STANDARD

We realize that import restrictions on foreign steel have been a fond dream of some domestic steel producers for many years. The reasons are obvious. The most important limiting factor in prices and profits of domestic steel producers have been the competition afforded by imported steel.

We who are concentrating in the export field recognize steelmakers are the biggest of customers of the entire industry. We exporters want the domestic industry to prosper, for the scrap industry could not prosper unless there is an economically viable steel industry in this country.

But at the same time, we know something about our customer.

We know that in order to compete effectively in world markets it is essential that the domestic steel industry move rapidly ahead in steel technology which will match the technical advances being achieved abroad.

Take, for example, the steel plants which were built in the United States immediately after World War II. In order to compete effectively with the latest plants in Japan and elsewhere, it is essential that the best of American "know-how" and American technology be used to the hilt.

We can hardly expect capital improvements of this kind to be made if our industry were to be afforded Government protection against competition. Yet it is only with these improvements that American steel can succeed in maintaining its position in the world market.

The true answer to this question is that all segments of American industry must always be prepared to compete with foreign producers by making the best possible use of modern technology. Our steel industry itself appears to recognize this axiom in its approach toward the procurement of machinery and raw 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 soild 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."

Much of this conversion process would be cutback by a loss of foreign markets. Our streets and roads would be littered with ever increasing mountains of used cars and other solid wastes.

5. Produce unemployment.

Many of the 50,000 employees of the scrap industry are directly involved in the export trade. Reduction of exports will bring job losses for employees in our firms. It will also reduce job opportunities for those workers employed by firms which sell domestically but which also rely on export sales.

6. Cutback the highway beautification program.

There is growing recognition that no amount of screening or landscaping can possibly hide the ever-mounting piles of junked cars along the nation's highways. Beautification can be best accomplished by accelerating the scrap cycle, by finding new uses and new markets for these discards of our civilization. Reduction in scrap exports will make the job more difficult, because more and more scrap from old automobiles is being exported.

7. Cause further damage to the iron and steel scrap industry.

Without the export market's leveling effect on prices; the bottom will drop out of the market. For many processers, it will not be economically possible to stay in business. This is particularly true for firms located in our coastal areas.

8. Damage the domestic steel industry.

Foreign steelmakers hampered by American quotas would defend themselves by reducing prices to customers who now import steel from the United States. This would be a death blow to our steel industry's remaining export market.

I would like to thank the members of this committee for the opportunity you have given me to present the views of the Scrap Industry Trade Policy Council on the tariff and trade proposals now before you. We will be most happy to furnish you with any additional facts on our industry which will be helpful to your further study of the subject.

SCRAP INDUSTRY TRADE POLICY COUNCIL

Chairman: Hugo Neu, Hugo Neu Corp., New York, N.Y.

EXECUTIVE COMMITTEE

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Leslie Sussman, General Metals of Tacoma, Inc., Tacoma, Wash.
Sol Walker, Sol Walker & Co., Tampa, Fla.

The CHAIRMAN. Thank you, sir.

Are there any questions?

Mr. CURTIS. Yes.

I wonder if you would clear up one point for me. You point out the decline of the use of scrap by our domestic steel industry essentially because they are moving to the oxygen process. Yet there is an increase apparently in the exporting of scrap abroad but yet it has been pointed out that Japan and Western Europe to some degree were ahead of us in using the oxygen process.

Why is there an increased market for scrap iron?

Mr. NEU. That is a good question. The steel industry abroad has grown. Therefore, formerly, say 10 years ago, the Japanese steel industry used 40 percent steel, 40 percent scrap on 20 million tons imported which meant 8 million tons. Today they use 10 percent on 70 million tons so that it still means 7 million tons.

Mr. CURTIS. I see. It is true that they use less scrap per ton but they are producing more tons and therefore they are a bigger market for scrap.

Mr. NEU. Right.

Mr. CURTIS. Thank you.

The CHAIRMAN. Are there any further questions?

Mr. BUSH. Mr. Chairman.

The CHAIRMAN. Mr. Bush.

Mr. BUSH. Mr. Neu, one of my colleagues told me that your company, together with a company from Arizona, is involved in a project of selling several million tons per year of iron pellets to the steel mills in Japan which he tells me will substantially and favorably affect our balance of payments.

Recognizing that we have a time problem, could you tell us just briefly for the record about this project and what effect it might have.

Mr. NEU. It is a low grade mine which is being studied at the moment, being opened up. It looks quite favorable. We are negotiating for the sale of five million tons of these pellets for 10 years to Japan.

It has been indicated to us that Japan recognizes the necessity of having to buy more products or more material in the United States because of their exports of steel to the United States.

I am, frankly, as I stated before, afraid if there was any such thing as restrictions on the import of steel that they would not buy these pellets.

Mr. BUSH. That answers the question.

Thank you, sir.

I have no more questions.

The CHAIRMAN. Are there any further questions?

If not, again we thank you for coming to the committee.

Mr. NEU. Thank you.

The CHAIRMAN. Mr. Gannaway.

Mr. Gannaway, we are happy to have you with us today and with you Mr. Searls.

STATEMENT OF CHARLES B. GANNAWAY, CHAIRMAN, AD HOC COMMITTEE OF GALVANIZED ELECTRICAL TRANSMISSION TOWER FABRICATORS; ACCOMPANIED BY DAVID T. SEARLS, COUNSEL

Mr. GANNAWAY. Thank you very much.

Mr. Chairman and members of the House Committee on Ways and Means, I certainly appreciate the opportunity of being afforded the opportunity to appear in front of you this evening on a subject that vitally affects my industry.

My name is Charles B. Gannaway. I am currently consultant to and a member of the board of directors of Flint Steel Corporation of Tulsa. Okla.

Prior to retiring on January 1, 1968, I was executive vice president of this company and the operating head. My service with this company extends from 1935 to the present time.

We have been in the business of fabricating transmission towers since 1937.

I am chairman of the ad hoc committee of Galvanized Transmission Tower Fabricators who, on June 21, 1966, filed a complaint with the Honorable Lester D. Johnson, Commissioner of Customs alleging that the Italian Government was subsidizing exports of cell transmission towers into this country.

This committee is comprised of representatives of nine principal domestic fabricators of transmission towers, with a total of 18 plants.

Galvanized electrical transmission towers are used by the utility companies to support high voltage lines for the transmission of electric power across country.

With me today is Mr. David Searls, a senior partner in the law firm of Vinson, Elkins, Weems, and Searls, in Houston.

Mr. Searls is counsel for our ad hoc committee.

Mr. Chairman, with your permission I would like to make a few brief comments concerning the problems that we face with respect to foreign imports of transmission towers and I have filed for your consideration and offered for the record a more complete statement.

The CHAIRMAN. That will appear in the record without objection. Mr. Gannaway.

Mr. GANNAWAY. Our company first became aware of the serious situation that we faced in the importation of transmission towers from Italy in 1964 when we lost a rather sizeable contract to an Italian fabricator. The amount of the contract was in the neighborhood of one and a quarter million dollars.

We lost this contract by something like $70,000. At that time I visited with members of the TVA. I visited with our representatives in the House and Senate and we made a rather intensive study in an effort to convince the Tennessee Valley Authority that it was in our interest and the interest of this country to purchase these towers locally but the contract was eventually awarded to the Italians.

Imports of galvanized transmission towers have been increasing at an alarming rate since 1964.

In the year 1965, 25 percent of the total domestic market was furnished by foreign concerns.

We are a small company and, realizing that we were facing increased competition from foreign sources selling at prices significantly below what we at Flint could meet, we enlisted the help of other domestic producers and formed an ad hoc committee in early 1966, the purpose being to determine what was happening to our industry as a result of these imports.

Our investigation revealed that the Italian producers of electrical transmission towers shipping into this country were being subsidized in one way or another by the Italian Government under Italian law No. 639 of July 5, 1964, and in the amount of approximately $25 per ton and also they were being subsidized in the amount of 7.8 percent of the export price under Italian law No. 570 of July 31, 1954, and as implemented by law number 1162 of November 15, 1964.

It is our estimate that the total subsidies paid under these two Italian laws amounts to somewhere between $38 and $45 per ton.

Our further investigation revealed that our Treasury Department was not imposing countervailing duties against the Italian producers as required under section 303 of the Tariff Act of 1930 and the law plainly states that subsidies shall be countervailed.

Mr. Chairman, the above-mentioned conditions were pointed out in our submission to Director of Customs and the Treasury Department on June 21, 1966.

Since our filing and to date on all electrical tower contracts on which foreign competition was invited to bid an estimated 191,000 tons or 88 percent went to foreign producers and 26,500 or a mere 12 percent went to our domestic producers.

I might add that all governmental agencies invite foreign bids. This does not happen to be the case with private power companies. We do not, as a company, bid on a great many of these large governmental contracts, the reason being that we are not competitive, we have not been competitive for the last several years with the Italians and cannot go to the expense of preparing a bid that would be obviously lost.

After 10 months of investigation, the Treasury Department issued an order effective May 22, 1967, that provided for the countervailing duty assessment of $20 per net ton against the refund of galvanized electrical transmission towers under Italian law 639.

I highly commend the Treasury for the action taken.

However, according to judicial interpretation of a grant or bounty under our countervailing law I believe the Treasury Department should have countervailed in the full amount of our request.

Now, after another 14 months we still have not received a decision from the Treasury Department on the remission of taxes under Italian law No. 570, and strongly feel that Treasury should countervail in the full amount of the subsidy granted under this law.

We have made repeated contacts with the Treasury Department for a decision but as of this time we have not received any decision one way or the other.

I wish to again emphasize that we have very serious problems with our subsidized competition and with our much higher labor cost and with the subsidies that are granted to our competition we cannot compete for the domestic tower business in this country. We do not believe that it is within the interest of our national security that the domestic tower fabricators be completely put out of business by foreign competition.

Were it not for the fact that we do receive a number of contracts from private utility companies who will not accept foreign bids, we would not have been able to maintain our plants at a percent of capacity.

Mr. Chairman, we urge that in fairness to us and to our employees and to the balance-of-payments problem that this country faces and in the interest of our national security, as I mentioned, that this case be brought to a successful conclusion as soon as possible.

My more complete statement has been filed for your consideration, sir.

The CHAIRMAN. Yes, it will be included in the record.

(Mr. Gannaway's prepared statement and statement of David T. Searls, counsel, follow:)

STATEMENT OF CHARLES B. GANNAWAY, JR., CHAIRMAN OF THE AD HOC COMMITTEE OF GALVANIZED ELECTRICAL TRANSMISSION TOWER FABRICATORS

INTRODUCTORY COMMENTS

My name is Charles B. Gannaway, Jr. I am currently a member of the Board of Directors and consultant to Flint Steel Corporation, which is headquartered in Tulsa, Oklahoma. Prior to retiring on January 1, 1968, I was Executive Vice President and chief operating officer of Flint Steel and in the fabricating tower business for over 40 years. Also, I am Chairman of the Ad Hoc Committee of Galvanized Electrical Transmission Tower Fabricators (representing 95% of the available production), which filed the complaint with the Treasury Department that Italy was subsidizing exports of steel transmission tower components. The Ad Hoc Committee consists of the following fabricators with a total of eighteen plants:

Anchor Metals, Hurst, Texas; Bethlehem Steel Corp., Bethlehem, Pa.; Blaw-Knox Company, Pittsburgh, Pa.; Creamer and Dunlap, Tulsa, Oklahoma; Flint Steel Corp., Tulsa, Oklahoma; Lehigh Structural Steel Co., Allentown, Pa.; Muskogee Iron Works, Muskogee, Oklahoma; Nashville Bridge Co., Nashville, Tennessee; and United States Steel Corp., Pittsburgh, Pa.

With me today is Mr. David T. Searls, a senior partner in the law firm of Vinson, Elkins, Weems and Searls in Houston, Texas. Mr. Searls is counsel for our Ad Hoc Committee.

I would like to provide some information as to what a small company faces in dealing with foreign imports.

Flint Steel has two plants located in Oklahoma and Tennessee and employs 225 workers in the production of electrical transmission towers.

Although imports of galvanized fabricated structural steel units for the erection of electrical transmission towers, especially those produced in Italy, have been coming into the United States at an increasing rate since 1956, the influx of these imports became quite alarming to our company and its workers in 1965 because they commanded over 25% of the market in the United States and were selling at prices significantly below what we could meet.

What should a company like ours do in that situation? First, we evaluated our competition, both domestic and foreign. Our evaluation showed that foreign competition had taken a large share of the increasing demand that should have been produced by domestic producers and their employees. In addition to being a problem for us, imports of electrical transmission towers were, and still are, an industry problem also. What alternatives were available to Flint Steel to combat this competition? Wholly aside from the fact that any effort to solve the problem by purchase of lower cost foreign steel mill products would have further aggravated an already critical problem for the steel industry, it would not have tended to solve the problem of the tower industry because here the real problem is the granting of rebates to encourage exports. Since the Italian Government was granting rebates to encourage exports and these rebates are established within the Italian Government's tax system, any cost saving that Flint Steel might realize by purchasing foreign steel could readily be offset by the Italian Government merely by granting higher rebates under their tax system to make their producers more competitive in the export market. We wanted to go with reliable availability of domestic suppliers of steel mill products.

Consequently, Mr. Chairman, we immediately recognized that only the government could assume the responsibility of providing an international trade climate in which our business enterprise could compete fairly. Since our problem with foreign competition was generated by subsidies from the Italian Government, we enlisted the help of other domestic producers to seek government assistance under our countervailing duty laws.

With this as background, I will describe our experience in pursuing countervailing duties against imports of Italian electrical transmission towers.

REQUEST FOR COUNTERVAILING DUTIES ON IMPORTS OF ELECTRICAL TRANSMISSION TOWERS FROM ITALY

The Ad Hoc Committee under date of June 21, 1966, filed with the Commissioner of Customs certain information which they believed was sufficient to require the imposition of countervailing duties under Section 303 of the Tariff Act of 1930 (19 U.S.C. § 1303) on imports of these goods from Italy. This information showed that the countervailing duty should be in the sum of (1) at least $24.32 per net ton as the subsidy granted under Italian Law No. 639 and (2) an amount equal to 7.8% of the export sales price which is the subsidy made under Italian Law No. 570. These refunds are not granted on market sales in Italy.

Imports of electrical transmission towers increased during the period 1956 through 1965 to the point that one of the major Italian tower manufacturers was able in 1965 to contract for the sale of 57,000 net tons, or over 25% of the estimated market in the United States. Even more distressing is the fact that since May, 1966, on all electrical transmission tower contracts on which foreign competition was invited to bid, an estimated 191,000 tons went foreign and 26,000 tons went to domestic producers. More simply stated, while countervailing duties were being pursued during the last two years, foreign producers received about 88% of the total business that they were invited to bid on in the United States while domestic producers received only 12%. Approximately 34% of the total electrical transmission tower business placed with foreign producers during this period was ordered by our federal and local governmental agencies; and to the best of my knowledge, all governmental agencies invited foreign bids. This is not always the case when private utilities seek bids for electrical transmission towers.

This foreign market penetration has become intolerable. If current uncertainties connected with imports and our foreign trade policy generally should continue, it will be too great a risk for our industry and other industries to continue to make large capital investments in facilities. If we cannot compete in our own market, we face the prospect of extinction.

PRODUCT DESCRIPTION

Electrical transmission towers are designed and built to support transmission wires and cables through which electrical current in potentials of 66 KV to as much as 500 KV is transmitted between electrical generating stations and substations. Most transmission towers are specially designed for the terrain over which the transmission line will pass and to carry the particular stresses and loads which will be imposed on the tower, by wind pressure, by the pulls exerted by the wires and cables when attached to the tower structure, and by other forces.

The structural steel units for electrical transmission towers are sold in the United States to private utilities and government agencies, such as the Tennessee Valley Authority, Bonneville Power Administration, and the Bureau of Reclamation.

ITALIAN LAWS THAT PERMIT BOUNTIES OR GRANTS

Law No. 639 of July 5, 1964, of the Republic of Italy provides for refunds of customs duties, border fees, stamp taxes, mortgage and insurance taxes, registration taxes, manufacturing excise taxes, vehicle taxes, and other like taxes on the exportation of selected products, including fabricated galvanized structural steel units for electrical transmission towers.

The report of the Minister of Finance on the introduction of Law No. 639 to the Italian Cabinet clearly demonstrates that the intent of the Italian Government was to use such law as a financial inducement to encourage its export program. The following statement made by the Minister of Finance described the social and economic conditions that the provisions of Law No. 639 were designed to overcome:

> "Legislative measure was in answer to the ascertained necessity of correcting, even though partially, those disparities which, because of different social and fiscal systems in various countries, were altering at our expense the competitive position of our products compared to foreign products, putting Italian industry in a position of inferiority.

* * * * * * *

"For this purpose, the enclosed bill has been designed to provide, beginning January 1, 1964, for reimbursement of custom duties and expenses and of internal indirect impositions different from the general transaction tax, which have burdened, directly or indirectly, on the manufacture of metal-mechanical industry products."

It is significant to note that the Court of Justice of the European Economic Community questioned the refunds granted under Italian Law No. 639 as being contrary to the provisions of the Treaty of Rome. As a result of the court's investigation, the Italian Government has progressively reduced from $26.13 per net ton to $5.23 per net ton the refund on exportation of products of its metal-mechanical industry to Common Market countries. However, it continued to maintain the rate of $26.13 per net ton on exports to the United States and other countries not members of the Common Market.

Law No. 570 of July 31, 1954, as implemented by a decree of the President of the Republic of Italy and by Law No. 1162 of November 15, 1964, provides for the refund of transaction taxes (more commonly referred to as IGE taxes) on the exportation of Italian products generally. The Italian transaction tax is a pyramiding tax in that the product is subject to the tax based on its invoice price at each transfer of title. A highly integrated producer of a given product suffers less incidence of transaction tax in the manufacture of his product than a manufacturer with less vertical integration in his manufacturing facilities. However, the rate of refund for the exported product is a fixed per cent of the invoice value which is available to all exporters regardless of the amount of tax incurred. In other words, a large producer is granted a refund on exports regardless of whether or not it paid any transaction taxes.

ENFORCEMENT OF COUNTERVAILING DUTY LAW

While this case involves only fabricated structural steel units used in the erection of electrical transmission towers, great importance is attached to the decision yet to be made on other taxes refunded under Italian Law No. 570. American commerce generally will be affected by this decision. It offers some help to one of the foreign trade problems facing the American business community which the President recently recognized publicly by saying that:

"American commerce is at a disadvantage because of the tax systems of some of our trading partners. Some nations give across-the-board rebates on exports which leave their ports and impose special border tax charges on our goods entering their country."

One of the most pressing problems faced by the United States today is the constant deficit in our balance of payments. The domestic tower fabricators feel that no country has the right to obtain dollars from the United States by subsidizing exports through tax rebates while using the same taxes to discourage imports into its territory. Because the Countervailing Duty Law affords an important means of dealing with this unfair trade practice which is disruptive of international trade, the domestic tower fabricators urge that this case be brought to a successful conclusion as soon as possible.

STATEMENT OF JUDICIAL INTERPRETATION OF U.S. COUNTERVAILING DUTY LAW AND THE SUBSIDIES GRANTED BY TAX REBATES IN FOREIGN COUNTRIES BY DAVID T. SEARLS OF THE LAW FIRM OF VINSON, ELKINS, WEEMS & SEARLS, HOUSTON, TEX.

JUDICIAL INTERPRETATION AS TO WHAT IS A BOUNTY UNDER COUNTERVAILING DUTY LAW

In the most wide-sweeping and explicit language used by a court in defining the broad scope of the Countervailing Duty Statute in applying to all types of bounties or grants, the Court of Customs Appeals stated in *Nicholas & Co.* v. *U.S.*, 7 Ct. Cust. App. 97, affirmed 249 U.S. 34, 1916:

"The plain, explicit, and unequivocal purpose of this section is that whenever a foreign power or dependency or any political subdivision of a government shall give any aid or any advantage to exporters of goods imported into this country therefrom, whereby they may be sold for less in competition with our domestic goods, the duties on them shall be increased to that extent, and it is the result of such aid or advantage that Congress seeks to countervail, regardless of whatever name or in whatever manner or form or for whatever purpose it was given, and whether the thing done be called 'allowance,' 'bonification,' 'bounty,' 'grant,' 'drawback,' or what, matters not; the question is whether or not the result would be to admit the merchandise to our markets at a lower cost price."

In the *Nicholas* case Treasury had imposed countervailing duties on imported British spirits after finding that the British government gave an allowance of a specified sum upon export of the item from the United Kingdom. An appeal was taken from the Court of Customs Appeals to the United States Supreme Court, which affirmed the lower court in an opinion written by Mr. Justice McKenna. The British contended that the allowance that provided for exportation was not a bounty but was compensation to the distiller and rectifier for costs due to excise restrictions. In reviewing this contention the Supreme Court said the issue was much more simple than the British were attempting to make it and concluded that the allowance paid to the exporter of spirits resulted in the sale of such spirits to other countries being "relieved from a burden that their sale in the United Kingdom must bear. There is a benefit, therefore, in exportation,—an inducement to seek the foreign market." The Supreme Court addressed itself to the meaning of the term "bounty" or "grant" used in the Tariff Act of 1913 and made the following definition:

"The statute was addressed to a condition, and its words must be considered as intending to define it, and all of them—'grant' as well as 'bounty'—must be given effect. If the word 'bounty' has a limited sense, the word 'grant' has not. A word of broader significance than 'grant' could not have been used. Like its synonyms 'give' and 'bestow', it expresses a concession,—the conferring of something by one person upon another. And if the 'something' be conferred by a country 'upon the exportation of any article or merchandise,' a countervailing duty is required by Paragraph E."

In an earlier case the Supreme Court of the United States had supported the Treasury finding that sugar exported from Russia was receiving a bounty; Treasury had applied countervailing duties to this commodity under the Tariff Act of 1897. In that case the effect of the Russian law was to impose a tax on all sugar produced but to remit that tax upon all sugar that was exported. The court said in part:

"When a tax is imposed upon all sugar produced, but is remitted upon all sugar exported, then, by whatever process or in whatever manner, or whatever name, it is disguised, it is a bounty upon exportation." (*Downs* v. *U.S.*, 187 U.S. 496 at 515.)

The *Downs* and *Nicholas* cases are very important to this country. Both cases establish the fact that the statute in using the terms "bounty" or "grant" meant to include any type of advantage given to the exportation of goods whether by direct or indirect means and whether by tax remission or otherwise. Although both of these Supreme Court decisions antedated GATT and interpreted earlier provisions of the Tariff Statute, it is believed that unless the Supreme Court of the United States overrules these decisions that they must be controlling in the application of the present Countervailing Duty Statute. Under the Protocol of Provisional Application of the GATT, the signatories provided that they would apply that part of the agreement which dealt with countervailing duties "to the fullest extent not inconsistent with existing legislation", and in any event the treasury decision in deciding part of our transmission tower case shows they recognize that GATT is not an impedient to the application of the Countervailing Duty Statute which remains unaffected by the General Agreement.

TAX HARMONIZATION BETWEEN MEMBER COUNTRIES OF EUROPEAN ECONOMIC COMMUNITY

If the use of the internal tax systems of foreign countries to grant refunds on exports remains unchecked, the steel industry—indeed all industries—will be placed at an even greater disadvantage in the future since all EEC countries are to adopt a uniform value-added tax system by 1970. In many of these countries, including Italy, this will mean that the VAT system will replace the existing transaction tax. Reportedly Italy is considering reducing its payroll taxes, which are not rebatable, for turnover taxes which are rebatable under the GATT rules. It is possible that the taxes under Italian Law No. 639 could be incorporated into the VAT system. The new value-added tax will raise the existing rates in all countries except France. Although it is not certain what the tax rate will be, it is generally considered that it will be about 15% as compared to Italy's present rebate of 7.8% on these transmission tower components. Germany has already gone to the value-added tax this year with a 10% rate which will increase to 11% on July 1, 1968, and presumably to around 15% by 1970. The proposed rates under the VAT systems will be higher by virtue of a shift in the incidence of taxation between different tax sources. Consequently, the border tax will be higher for imports, and the tax remission on exports will be greater. Furthermore, the border tax is imposed on the CIF value of the steel products we send into EEC countries plus the tariff duties added to the CIF price. And in Germany the cost of freight from the port to the first inland point of destination is added into the base upon which the value-added tax rate is imposed. In effect this will likely more than offset any reductions of tariffs recently made by EEC countries during the Kennedy Round Negotiations. It will be more costly for us to export to these countries, and foreign manufacturers will be given greater incentive to export to the United States.

Another objective of the tax harmonization program is to eliminate tax frontiers between EEC countries. Taxes would not be refunded on exports or imposed on imports when the sales transaction takes place between these EEC countries. Tax harmonization was brought about in the EEC because there were complaints within the Community that the system of providing compensation tax on imports and tax rebates on exports did not work fairly. It was alleged that differences in tax structure of member countries lead to inequities. West Germany lodged the most vigorous protest against these inequities.

The Report of the Subcommittee on Foreign Economic Policy of the Joint Economic Committee of the Congress of the United States stated:

> "The European Common Market practice of rebating their own indirect taxes on their exports and levying these same taxes on imports—a practice sanctioned, incidentally, by the rules of the GATT—constitutes a conspicuous form of discrimination against U.S. exports. Moreover, similar border adjustments by the United States would be an ineffective weapon, neither mitigating nor offsetting the discriminatory process, because the tax structure of the United States places relatively small emphasis on indirect taxes. This issue is one that the United States will have to resolve." (90th Congress, First Session, 1967)

In an industry closely related to the transmission tower business, Mr. John R. Morrill, of Kearney-National, Inc., commented on the effect of the remission of these turnover taxes on circuit breakers. He cited a striking example to demonstrate the importance of the remission of these taxes on the ability of foreign manufacturers to sell in the United States market:

> "In addition to such grants, these governments also give credits or rebates of taxes because of export shipments. They suspend excise, value-added or turnover taxes which would normally be paid on materials these manufacturers use.
>
> "In France, the remission of the value-added tax allows a French circuit-breaker manufacturer to sell a high-voltage breaker in the US at around $200,000 while the French power system pays around $350,000 to these same manufacturers for comparable breakers. US suppliers price comparable breakers at $300,000.
>
> "Furthermore, foreign governments finance development programs. It seems likely that French President Charles deGaulle did this for the French manufacturer, Delle, so that Delle could develop the 735-kv circuit breakers for Hydro Quebec." (Electrical World, March 11, 1968)

TREASURY'S INTERPRETATION OF COUNTERVAILING DUTIES COVERED BY GENERAL AGREEMENT ON TARIFFS AND TRADE

The United States is a contracting party under the General Agreement on Tariffs and Trade (commonly referred to as GATT). The GATT permits signatory nations to impose countervailing duties, but under more stringent requirements than those of our domestic legislation. Article VI of the GATT, the provision authorizing countervailing duties, requires a showing that the importation of the products in question either causes or threatens "material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry". Section 303 of the Tariff Act of 1930 requires no such showing.

The most significant difference, however, is that Article VI of the GATT prohibits the imposition of countervailing duties where the exporting country has exempted "such product from duties or taxes borne by a like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duty or tax."

> [Ad Article XVI of GATT makes the distinction in this language: "The exemption of an exported product from duties or taxes borne by the like product when destined for domestic consumption, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be a subsidy."]

This exception under GATT is commonly described as prohibiting countervailing duties as an offset to "indirect taxes". "Indirect taxes" is understood to mean those taxes assessed against the *product* itself as distinguished from a tax related to the *manufacturer*. There is no such exception, and surely no such distinction, either statutory or judicial, under the United States law.

When the United States became a contracting party to GATT, it entered into the agreement pursuant to a Protocol of Provisional Application. This Protocol provided, *inter alia*, that Part II of the GATT (Part II includes Article VI relating to countervailing duties) would not affect existing inconsistent domestic legislation of the Contracting Parties passed prior to October 30, 1947. Inasmuch as our domestic law relating to countervailing duties is part of the Tariff Act of 1930, it clearly falls within the ambit of the Protocol of Provisional Application. Consequently, it would not be violative of the GATT for the United States to impose countervailing duties pursuant to the standards of Section 303.

However, it may be that the delay we are experiencing in obtaining a decision on the rebate of the Italian transaction tax is prompted by a desire to follow the GATT "indirect taxes" exception when deciding whether to impose countervailing duties under Section 303. We submit that the distinction between direct and inidrect taxes and the tax incidence of each was unsound when formulated in GATT; that most economists today repudiate the rationale behind such difference in treatment under GATT. Most important, we emphatically contend that under our Countervailing Duty Law such distinction is totally irrelevant. The concept of a "subsidy" as enunciated by our courts is controlling; Treasury must recognize these judicial decisions which hold that *any* rebate of taxes would be a grant or bounty.

CURRENT STATUS OF ENFORCEMENT OF COUNTERVAILING DUTY LAW IN THE SALES OF IMPORTED ITALIAN STRUCTURAL UNITS FOR ELECTRICAL TRANSMISSION TOWERS

After almost ten months of investigation, the Treasury Department issued an order on April 21, 1967, that provided for an assessment commencing May 22 of a countervailing duty of $20.00 per net ton on galvanized frabricated structural steel units for the erection of electrical transmission towers imported from Italy. The Treasury Department is to be highly commended for taking this action against the refunds granted under Italian Law No. 639, and indeed we appreciate their attempt to deal with this trade practice. However, according to the judicial interpretation of a grant or bounty under our Countervailing Duty Law, we believe that an additional amount should have been assessed under Italian Law No. 639.

To date (almost two years since our complaint was filed) Treasury has not made a decision on the remission of taxes under Italian Law No. 570. We strongly feel that the full amount of 7.8% of the export value of fabricated steel units constitutes a grant or bounty under our statute and that countervailing duties in such an amount should be promptly imposed. The amount of subsidy involved in Italian Law No. 570 will vary with the export sales price. In the electrical transmission tower case, we are requesting countervailing duties that range from $14.00 to $22.00 per net ton.

(The following letter was subsequently received by the committee for inclusion in the record:)

VINSON, ELKINS, WEEMS & SEARLS,
Houston, Tex., May 31, 1967.

Re Imposition of countervailing duties on imports of Italian galvanized electrical transmission towers.

Mr. CHARLES B. GANNAWAY, Jr.,
Chairman, Ad Hoc Committee,
Galvanized Transmission Tower Fabricators,
Flint Steel Corp., Tulsa, Okla.

DEAR MR. GANNAWAY: On behalf of the Ad Hoc Committee, you have asked our opinion as to the advisability of and the procedure for contesting the Secretary of Treasury's decision to impose countervailing duties on the import of Italian electrical transmission towers only to the extent of $20 per net ton under Italian Law 639 and to impose no countervailing duties with respect to Italian Law 570.

Before relating our detailed legal analysis of the problem, it seems appropriate to summarize, at the outset, our recommendations which are as follows:

(1) That the Secretary of the Treasury, or his delegate, be approached with a view to demonstrate that the amount of the countervailing duty as set forth in his Order filed April 20, 1967, should be increased because it underestimates the subsidy or bounty resulting from refunds pursuant to Italian Law 639 and does not reflect at all the subsidy or bounty resulting from refunds pursuant to Italian Law 570;

(2) That in the event the Secretary of the Treasury, or his delegate, does not accept such a position, we should request him to ask for the Opinion of the Attorney General of the United States as to the applicability of countervailing duties in the instant circumstances;

(3) That in the event the Secretary of the Treasury, or his delegate, refuses to so request the opinion of the Attorney General or in the event the Attorney General does not sustain our position, the procedural steps outlined in Section 1516(b), Title 19, of the United States Code, be complied with in order that the Customs Court may be petitioned to uphold our position and impose the desired countervailing duties; and

(4) That in the event the importers of Italian electrical transmission towers protest the imposition of the countervailing duties in the amount of $20 per net ton and proceed to litigation in the Customs Court, an amicus curiae brief be filed in that action on behalf of the domestic fabricators.

OPINION

The statute which authorizes the imposition of countervailing duties on imports into the United States is Section 303 of the Tariff Act of 1930, as amended 19 U.S.C. § 1303. This section provides as follows:

Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, and such article or merchandise is dutiable under the provisions of this chapter, then upon the importation of any such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall and levied and paid, in all such cases, in addition to the duties otherwise imposed by this chapter, an additional duty equal to the net amount of such bounty or grant, however the same be paid or bestowed. The Secretary of the Treasury shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated. The Secretary of the Treasury shall make all regulations he may deem necessary for the identification of such articles and merchandise and for the assessment and collection of such additional duties.

This section, as it appeared in earlier Acts, has been interpreted by the Courts to have extremely broad application. In *Nicholas & Co. v. United States*, 7 Ct. Cust. App. 97, *aff'd*, 249 U.S. 34 (1916), the Court stated:

The plain, explicit and unequivocal purpose of this section is that whenever a foreign power or dependency or any political subdivision of a government shall give aid or any advantage to exporters of goods imported into this country therefrom, whereby they may be sold for less in competition with our domestic goods, the duties on them shall be increased to that extent, and it is the result of such aid or advantage that Congress seeks to countervail, regardless of whatever name or in whatever manner or form or for whatever purpose it was given, and *whether the thing done be called "allowance," "bonification," "bounty," "grant," "drawback," or what, matters not; the question is whether or not the result would be to admit the merchandise to our markets at a lower cost price.* (Emphasis added.)

Likewise, in somewhat more succinct language, the Supreme Court stated, in *Downs v. United States*, 187 U.S. 496 (1962):

When a tax is imposed upon all sugar produced, but is remitted upon all sugar exported, then by whatever process, or in whatever manner, or under whatever name it is disguised, it is a bounty upon exportation.

The Court's intepretation of this statute was just as broad in *Passavant v. United States*, 169 U.S. 16 (1898) and *United States v. Hils Bros. Co.*, 107 Fed. 107 (2nd Cir. 1901).

It should be pointed out that the courts which decided the cases cited were construing language more narrow in scope than the present language of section 303. For instance, in the *Downs* case, the Court was construing the language of Section 5 of the Tariff Act of 1897 which was virtually identical to the present language of Section 303 except in one important particular. Whereas, the present language of Section 303 prohibits "any bounty or grant upon the *manufacture or production or export* of any article or merchandise" imported into this country, Section 5 of the Tariff Act of 1897 prohibits "any bounty or grant upon the *exportation* of any article or merchandise" imported into this country. The expansion of the language to include the "manufacture or production" can probably be attributed to the fact that in the *Hills Bros.* case, the argument was made that the excise tax refunds upon the export of sugar from Russia was a refund or bounty upon production rather than upon exportation. The Court held that the refund was in fact a refund upon exportation and not a refund upon production. This holding of the *Hills Bros.* case was quoted in the *Downs* case, which likewise held that the bounty was upon exportation. Although no legislative history to this effect has been found, it seems likely that Congress amended the language of the statute to make it broad enough to prevent evasion of the countervailing duty by the exporting country's denominating or disguising some type of subsidy as being upon "production."

We believe that a reading of section 303, especially in light of the judicial interpretations, makes it clear that any time a government exempts from or remits taxes upon exported goods that are levied upon or not remitted for goods destined for domestic sale, such action requires the Secretary of the Treasury to impose a countervailing duty to the extent of the net amount of such exemption or remission. It is quite clear that the duty of the Secretary of the Treasury in this regard is mandatory rather than discretionary. The Attorney General of the United States so advised the Secretary of the Treasury in his Opinion dated June 2, 1936, 38 Op. Atty. Gen. 489, by stating that "it will thus be observed that the duties of the Secretary of the Treasury under the Act are mandatory." In the same Opinion, the Attorney general observed that: "It is obvious from the language itself that the scope of the Act is very broad."

From what has thus far been said, it would seem that all that would be necessary to effectuate the imposition of countervailing duties would be to show that the refunds under Italian Laws 570 and 639 are not made with respect to goods destined for domestic sale in Italy. However, the situation is complicated by the fact that the United States is a Contracting party under GATT (General Agreement on Tariffs and Trade). GATT also permits signatory nations to impose countervailing duties, but under more stringent requirements than those of our domestic legislation. Article VI of GATT (the provision authorizing countervailing duties) requires a showing that the importation of the products in question either causes or threatens "material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry." Section 303 requires no such showing. Further, Article VI of GATT prohibits the imposition of both anti-dumping and countervailing duties to compensate for the same subsidization situation, whereas United States law contains no such prohibition; however, the United States has never attempted to levy both types of duty on the same importation.

The most significant difference, however, is that Article VI of GATT prohibits the imposition of countervailing duties where the exporting country has exempted "such product from duties or taxes borne by a like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duty or tax." This exception under GATT is commonly described as prohibiting countervailing duties as an offset to "indirect taxes." "Indirect taxes" is understood to mean those taxes "indirectly" imposed on the manufacturer or producer by virtue of being assessed "directly" against the product itself (perhaps a sales tax on a finished product is the best example of a tax imposed directly on the product). There is no such exception, either statutory or judicial, under the United States law.

When the United States became a contracting party to GATT, it entered into the argeement pursuant to a Protocol of Provisional Application. This Protocol provided, *inter alia*, that Part II of GATT (Part II includes Article VI relating to countervailing duties) would not affect existing inconsistent domestic legislation of the Contracting Parties passed prior to October 30, 1947. Inasmuch as our domestic law relating to countervailing duties is part of the Tariff Act of 1930, it clearly falls within the ambit of the Protocol of Provisional Application. Consequently, it would not be violative of GATT for the United States to impose countervailing duties pursuant to the standards of section 303, which are admittedly at variance with the standards of Article VI of GATT.

However, it is our understanding that the Secretary of the Treasury, perhaps at the behest of the Secretary of State, has indicated his intention to follow the GATT "indirect taxes" exception when deciding whether to impose countervailing duties under section 303. Indeed, the Treasury Department has publicly stated the foregoing to be their position. See *Hearings on H.R. 1535, Customs Simplification Act of 1951, before the House Committee on Ways and Means* 16 (1951); *The Contracting Parties to the General Agreement on Tariffs and Trade, Anti-Dumping and Countervailing Duties* 9–10 (1958). This position is taken despite the fact that the Treasury Department does not feel that GATT supersedes our domestic legislation as is evidenced by the fact that in none of the instances where countervailing duties have been imposed (see 19 C.F.R. § 12.24(f) for a listing of such items) has a showing of material injury been made.

Because of the position taken by the Treasury Department, it may well be that we will be limited to arguing that countervailing duties should be imposed in the instant situation even under the GATT exception for indirect taxes. Such an argument can be made on two different bases. First, it can be pointed out that the refunds under Italian Laws 570 and 639 are made on a flat-rate basis; that is, these refunds are calculated on a product-by-weight basis without regard to the taxes actually paid by the particular exporter. The common result of a flat-rate refund procedure, even when the flat rate is determined with every intention to refund only the *average* taxes actually paid and nothing more, is that some exporters will receive more by way of refund than they actually paid in taxes and others will receive less. Because of this inherent difficulty, a flat-rate refund at best can be considered only a refund of "estimated" or "average" taxes and not a refund of actual "duties or taxes borne by the like product" as the GATT exception provides. It is acknowledged that even under GATT, if the refund exceeds the amount of taxes actually paid, the excess should be considered a subsidy. See *Anti-Dumping and Countervailing Duties, a Report of a Group of Experts for the General Agreement on Tariffs and Trade* 20 (1961). An argument of considerable force can be made to the effect that if a government choose to premise its refunds on a flat-rate or "estimated" basis, where it is certainly impractical, if not impossible, for the country of importation to determine whether the refund exceeds the amount of taxes actually paid, the exporting country should expect such exported goods to bear the burden of countervailing duties or, at the very least, the exporter to have the burden of proof as to the amount of direct taxes actually paid by him. Support for such an argument may be found in a recent EEC decision, *The Commission of the European Economic Community v. The Republic of Italy*, Case No. 45/64 (Court of Justice of the European Communities, 12–1–65), wherein the Court dealt specifically with

Italian Law 639. Although the opinion of the Court did not accept the ECC Commission's argument that the flat-rate refund was violative *per se*, which argument had been accepted and recommended by the Advocate General at the hearing of the case, the Court did hold as follows:

"Since the Republic of Italy freely chose a flat-rate method, it must prove that in all cases this method remains within the limits of Article 96 [Countervailing Duties provision of the EEC Treaty]."

Thus, the Italian Government was ordered to furnish the necessary information, supported by figures, regarding the products in question.

A second approach to the position that the imposition of countervailing duties in this instance would not be inconsistent with the GATT exception would be to argue that the taxes forming the basis of the refunds under Italian Laws 570 and 639 are not, at least in the greater part, the type of "indirect taxes" envisioned by the GATT exception. These taxes, it will be recalled, include custom duties on the importation of zinc into Italy, transaction (IGE) taxes on product transfers at every stage of production beginning with the raw materials, and transaction taxes on the furnishing of heat, light and power which can be directly traced to the manufacturing process. It can readily be seen that most of these taxes cannot be traced any more directly into the finished product than can a "direct" tax such as an income tax. It can be said that such taxes find their way into the cost of the end product by virtue of being part of the total cost of manufacturing the goods finally produced, but the same can be said of an income tax which is concededly a "direct tax." The situation envisioned by the GATT exception is that where a transaction or sales tax is levied on the transfer of a *finished* product from one entity to another before being exported and that tax is refunded or where a transfer of a finished product is made f.o.b. the exporting country and all such export sales are exempted from the exporting country's normally imposed sales tax. Such a position is given considerable support by the language of the GATT exception which provides:

"No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to anti-dumping or countervailing duty by reason of the exemption of *such product* from duties or taxes borne by the *like product* when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes." Emphasis added.)

The terms "such product" and "like product" are meaningful only as a reference to the phrase "product . . . imported into the territory of any other contracting party" at the beginning of the sentence. The taxes imposed upon raw materials or semi-finished stages of production, to say nothing of taxes on heat, power and light, can hardly be said to be imposed on a product "like" the product which arrives in the importing country. In essence, not every tax that is "indirect" in the sense that it is imposed upon some form of property as opposed to being imposed upon an economic entity, is "borne" directly by the finished product. It would be formalistic indeed to except from the imposition of countervailing duties, the exemption or refund of certain taxes, simply because of their denomination, which can be no more directly traced into a finished product than an income tax. As we understand the facts, the type of taxes which formed the basis for the refund under Italian Laws 570 and 639 are too remote to be traced directly into the products being imported into the United States.

If relief cannot be obtained from the Secretary of the Treasury, or his delegate, we would suggest asking him to request the Attorney General's Opinion as to the applicability of Section 303. Section 306 of Title 5 of the United States Code requires the Department of Justice to render all legal opinions requested by certain specified persons in the Executive Branch of the government, including the head of the Treasury Department. Section 304 of Title 5 of the United States Code authorizes the head of any Executive Department to require the opinion of the Attorney General on any questions of law arising in the administration of his Department. Of course, it is within the discretion of the Secretary of the Treasury whether he makes such a request of the Attorney General. Consequently, it is difficult to asses the probability of his so doing in the present situation. The Attorney General has on three prior occasions given opinions relating to countervailing duties and, as mentioned earlier in this opinion, has indicated both that the application of such duties is mandatory and not discretionary and that Section 303 has a "very broad" application. See 38 Op. Atty. Gen. 489 (1936) : 39 Op. Atty. Gen. 261 (1939) : 39 Op. Atty. Gen. 282 (1939).

In the event the administrative procedures outlined above do not result in a satisfactory decision to impose additional countervailing duty, it is recommended that the necessary procedural steps be taken to place the mater within the jurisdiction of the Customs Court. Section 1583 of Title 28 of the United States Code vests jurisdiction in the Customs Court as follows:

"The Customs Court shall have exclusive jurisdiction to review on protest the decisions of any Collector of Customs, including all orders and findings entering into the same, as to the rate and amount of the duties chargeable and as to all exactions of whatever character within the jurisdiction of the Secretary of the Treasury. . . ."

It has been held that this exclusive jurisdiction of the Customs Court includes all protests made pursuant to Section 1516(b) of Title 19 of the United States Code. See *North American Cement Corporation v. Anderson*, 284 F.2d 591 (D.C. Cir. 1960). Section 1516(b) governs protests by American manufacturers of Treasury Department findings as to value of, classification of and rates of duties on imported goods.

Before detailing the procedural steps required by Section 1516(b), it should be pointed out that if it ultimately becomes necessary to litigate this matter in the Customs Court, the Ad Hoc Committee will no longer be able to function as such. Each of the procedural steps under Section 1516(b) must be taken by the companies represented on the Ad Hoc Committee as individual entities, although each company will be filing identical papers to comply with each step of the procedure. See *Manufacturers and Producers of Goat, Sheep and Cabretta Leathers, etc. v. United States*, 21 C.C.P.A. 591 (1934).

Section 1516(b) sets forth the following procedure to come within the jurisdiction of the Customs Court:

(1) The domestic manufacturer shall make a written request of the Secretary of the Treasury to furnish the classification of and the rate of duty, if any, imposed upon designated imported merchandise of a class or kind manufactured, produced, or sold at wholesale by him;

(2) If dissatisfied with the status quo as reflected by the Secretary of the Treasury's response to that request, the domestic manufacturer must file a complaint with the Secretary setting forth a description of the merchandise and the classification and rate of duty he believes to be proper, and the reasons for that belief;

(3) If the Secretary decides that the domestic manufacturer is correct, he shall issue an order changing the classification and rate of duty and so inform the complainant. If the Secretary decides that the status quo is correct, he shall so inform the complainant. If dissatisfied with the decision of the Secretary, the complainant must, within 30 days after the date of such decision, notify the Secretary that he desires to protest the classification of or rate of duty assessed upon the merchandise in question;

(4) Upon receipt of such notice of intent to protest, the Secretary will publish notice of his decision of the proper classification and rate of duty and of the domestic manufacturer's desire to protest. Thereafter, the complainant shall be notified of all entries of such merchandise after publication of the notice by the Secretary at the ports of entry designated by the complainant in his notice of desire to protest. The Secretary of the Treasury shall direct the Collector at such port to notify the complainant immediately when the first of such entries is liquidated. Within 30 days after the date of mailing to the complainant of notice of such liquidation, the complainant must file with the Collector at such port a protest in writing setting forth a description of the merchandise and the classification and the rate of duty which he believes to be proper;

(5) A copy of such protest will be mailed by the Collector to the consignee or his agent within 5 days after the mailing thereof so that such consignee or his agent shall have the right to appear and be heard as a party in interest before the United States Customs Court; and

(6) The Customs Court will then take jurisdiction of the protest and the case will be set for hearing.

Sections 2631, *et seq.* of Title 28 of the United States Code set forth the procedure to be followed in the Customs Court. Among these procedural provisions is Section 2638 which provides that Section 1516(b) cases shall be given precedence on the docket.

Section 1516(b) cases are also given precedence in the Court of Customs and Patent Appeals, pursuant to Section 2602 of Title 28 of the United States Code.

If this matter reaches the Customs Court, we would no longer be faced with the problem of reconciling the imposition of the desired countervailing duty with the standards set forth in Article VI of GATT. It is our opinion that even if a trade agreement such as GATT should conflict with domestic legislation, the domestic legislation should control. This is so even though under international law, the United States would be deemed guilty of violation of the international trade agreement. In the present matter, however, as we explained above, the domestic legislation is not in conflict with GATT because of the Protocol of Provisional Application.

It should be pointed out that it is quite possible that the Secretary of the Treasury's decision to impose countervailing duties to the extent of $20 will be protested by the importer of Italian electrical transmission towers. If so, domestic manufacturers do not have the right to intervene as parties-in-interest in such an action under the Customs Court's Rules of Procedures. However, Rule 35 of the Customs Court's Rules provides that the Court may permit other parties to appear as *amicus curiae* and file briefs on the legal questions involved. Such amicus curiae are not permitted to participate in the trial of the issues involved. We believe that it would be advisable to request the Court to permit us to file amicus curiae briefs in the event the importers do bring their protest to the Customs Court. Inasmuch as domestic manufacturers are apparently not permitted to participate as parties-in-interest, the outcome of that litigation should not prejudice the domestic manufacturers' own protests pursuant to section 1516 (b). As a protective measure, it may be advisable to attempt to intervene even though no provision for intervention is made so as to lessen the chance of some type of res judicata or collateral estoppel argument being successfully made in the subsequent section 1516(b) case.

In conclusion, therefore, we believe that there is a good legal basis for the imposition of additional duty to countervail the refunds under Italian Laws 570 and 639 and that such action should be sought first with the Treasury Department and then, if necessary, in the Customs Court. On the basis of the authorities cited and the arguments set forth above, we believe the possibility of success in one or the other of these forums justifies proceeding in the suggested manner.

Very truly yours,

DAVID T. SEARLS, *Counsel.*

The CHAIRMAN. Are there any questions?

Mr. CURTIS. Yes.

The CHAIRMAN. Mr. Curtis.

Mr. CURTIS. First I want to thank Mr. Gannaway for his statement and for coming before us and giving us this information. I am deeply interested in the subject matter.

To some degree you have pointed up some of the inadequacies that you have experienced in application of the countervailing duty statute. I am wondering if you have any recommendations of where the law might be amended in a statutory way that would make it more useable.

Mr. GANNAWAY. Do you mean law 303?

Mr. CURTIS. Yes.

Mr. GANNAWAY. Mr. Congressman, I don't believe the law needs to be amended. I think it needs to be just followed.

Mr. CURTIS. Pardon me. Would you repeat that.

Mr. GANNAWAY. I say I don't feel that the law needs to be amended. I think it needs to be followed and it has not been followed. The law is on the books. Maybe I should direct that question to Mr. Searls.

Mr. CURTIS. Yes, please respond to that if you would.

Mr. SEARLS. We don't think there needs to be an amendment of this law, Congressman, because the law makes it mandatory upon the Secretary of the Treasury to impose countervailing duties any time that there is a bounty or grant made by a foreign country and, if the Secretary of the Treasury would just go ahead and impose these countervailing duties because of the remission of taxes under Italian Law 570, that would take care of the matter as far as these electric transmission towers are concerned.

(See letter dated July 11, 1968, at bottom of the page.)

Mr. CURTIS. In your position statement you refer to the testimony of John R. Morrill of Kearney-National, Inc. I am familiar with this. It is possible to make the countervailing duty remedy more comprehensive perhaps, but I agree with you that it could be used right now with greater effect.

I would also like to say for the purpose of the record here that the very fact that you don't have to prove damage, which some people point out as a weakness is in my judgment the very strength of the countervailing duty. In these areas of unfair trade practices, just as we found in our fair trade laws and our antitrust laws domestically it is very difficult to prove damage. Therefore we use the device of treble damage and other techniques to provide the individual companies that are affected with a remedy that answers the economic problem.

If we would have this kind of self-discipline built into international trade I think we would have a lot less of these unfair trade practices being utilized.

I am most hopeful that the administration people who tend to audit these hearings will pay attention to these points and will pay attention to what you have said here.

I feel a great deal of the reason we have these problems today, these serious problems of imports, has been the failure, not just of this administration but as a Republican I must say that it was true in the Eisenhower administration, the failure to use the tools that we have when legitimate cases were made against unfair trade practices. The administration didn't really respond.

I am very grateful to you gentlemen for taking the time to present this case to us.

Mr. GANNAWAY. I mentioned this TVA contract. Had the $20 a ton been assessed at that time, we would have won this contract by the neighborhood of $190,000 at the $20 a ton that is being assessed now against Italian Law 639.

Mr. CURTIS (presiding). The committee has heard testimony over the years from some governmental agencies like TVA as to purchasing. Allegations have been made that they are not very careful about looking to see whether or not there are these kind of subsidies on the foreigners part and whether or not there are also cost items imposed on our domestic producers which the foreign competitor is not subject to.

I want to thank you on behalf of the chairman and dismiss you.

(The following letter was subsequently received by the committee:)

VINSON, ELKINS, WEEMS & SEARLS,
Houston, Tex., July 11, 1968.

Hon. WILBUR MILLS,
Chairman of the Ways and Means Committee,
House of Representatives,
U.S. Congress, Washington, D.C.

DEAR SIR: On June 18, 1968, Mr. Charles B. Gannaway testified on behalf of the tower fabricators Ad Hoc Committee to discuss the problems which these domestic concerns encountered from subsidized foreign imports; he related the delay experienced in getting the Treasury Department to render a decision with respect to the rebate of indirect transaction taxes by the Italian government to

Italian exporters. Representative Thomas Curtis asked Mr. Gannaway and myself if anything needed to be done to strengthen our Countervailing Duty Statute to guard against subsidized foreign products. Our answer at that time was that the Countervailing Duty Statute was reasonably adequate, and the main ingredient required was proper enforcement by the government. I would ask that this letter be included as part of the record to supplement our testimony on the question asked.

Judicial interpretation of our Countervailing Duty Statute makes it clear that any time a foreign government exempts from or remits taxes upon exported goods while such taxes are levied upon or are not remitted for goods destined for domestic sale such action constitutes a subsidy which requires the Secretary of Treasury to impose a countervailing duty to the full extent of the amount of such exemption or remission. Treasury in 1951 and again in 1958 publicly stated its intention to follow the distinction made in the General Agreement on Tariffs and Trade between the remission of direct and indirect taxes. [Hearings before House Committee on Ways and Means, August 6–September 19, 1951, 82nd Cong., 1st Sess., p. 16; Response to Questionnaire from GATT, see GATT Antidumping and Countervailing Duties. Report of Group of Experts, p. 139 (1958).] However, these statements have been opinions of Treasury and not administrative decisions. To our knowledge Treasury has never ruled on the question so that it should feel free to conform to the Supreme Court interpretations of our statute. These judicial interpretations make any distinction between direct and indirect taxes totally irrelevant. It is clear that remission of any type of taxes on exports constitutes a subsidy within the meaning of our statute. The Protocol of Provisional Application of the GATT clearly exempted existing statutes; and the Countervailing Duty Act has been in effect since 1897, so that it obviously comes within the grandfather clause of GATT. Furthermore, Treasury has recognized and understood this fact, since in applying the Countervailing Duty Statute it does not require any showing of injury which is required by the GATT. We submit that earlier Treasury statements about adhering to the distinction between direct and indirect taxes were in conflict with the existing statute. The current disenchantment by many economists with the entire rationale behind the direct and indirect tax distinctions made in GATT should make it easier for Treasury to conform its present views to our Countervailing Duty Law and treat the remission of any taxes as a subsidy.

The need for Treasury today to speak out in support of the existing Countervailing Duty Statute and conform its interpretation to judicial decisions is most important in view of the tax harmonization agreement of the European Economic Community. By 1970 the effective rate on the value-added tax in the EEC countries will likely be in the neighborhood of 15%. We are concerned that a 15% rebate on steel products will permit exporters an unfair advantage and surely a substantial incentive to ship their products to this country. We are quite hopeful that our Treasury Department will now take a position which makes no distinction between direct and indirect taxes and looks only to the clear and compelling language of our statute.

Another possible deficiency in the administration of the statute is the manner in which the amount of subsidy is calculated by the Treasury. The administrative agency is not obliged to make known how it calculated the amount of subsidy. As a matter of consistent practice, Treasury has merely published the final amount it has determined constitutes a grant or bounty under our statute. No explanation of the calculation is furnished to any interested parties. Furthermore, there is no adequate provision to judicially test the soundness of the administrative calculations. We believe that this situation could be corrected by a change in the Treasury Regulations which would require it to publish the method of calculation. The factual underpinning of their calculations would serve to demonstrate the reasonableness of their actions and would not make such findings subject to attack unless the calculations showed a clear abuse of discretion. Such a change in administrative practice would merely conform the agency determinations to that conduct which is governed by the Administrative Procedure Act for most other administrative action. Although judicial precedent has held that under our act Treasury is permitted almost complete discretion in the manner of calculating the subsidy, we submit that confidence in the fairness of administrative action would be enhanced by Treasury publishing the basis of its calculations.

Another procedural amendment in the regulations could be made. A time limit should be prescribed within which Treasury must make its decisions. We believe that a business which is experiencing difficulties with subsidized foreign imports should be entitled to relief within at least a six-month period after it has made known its complaint. In the transmission tower case two years have elapsed without a final decision having been made.

The countervailing duty procedures do not lend themselves to very effective relief for an entire industry if a domestic producer must pursue his remedies on a product-by-product, nation-by-nation basis. In the steel industry, for example, with the hundreds of TSUS product classifications and the fact that seven or eight nations are major exporters of steel products to this country, it is easy to visualize the complexities and time involved in seeking relief for the industry when the remedies must be pursued on a product-by-product and nation-by-nation basis. Without altering the substantive concept of our statute, perhaps an expedited and comprehensive procedure could be written into the regulations to permit adjudication of subsidies granted on all steel products from a country which rebates indirect or other taxes in an across-the-board manner. This would certainly serve to provide a more efficacious remedy for an industry and not just specific products within that industry. It must also be kept in mind that our statute is only applicable to dutiable items and does not apply to products on the free list. In negotiating on tariffs this should be a fact this country keeps in mind.

A *caveat* that we wish to express is that economic policies followed by other nations may thwart effective relief under this statute. For example, if Japan and other nations pursue a policy of very low wage rates while this nation pursues inflationary wage policies, it is entirely conceivable that even the imposition of countervailing duties will not offset the significant cost differentials between products made in low wage foreign countries and domestic products of the United States.

We appreciate the opportunity afforded us of testifying on what we consider to be an important trade matter. It is our hope that the foregoing suggestions and comments may be of some assistance to this Committee in formulating a proper trade policy.

Very truly yours,

DAVID T. SEARLS, *Counsel.*

Mr. CURTIS. The next witness is Mr. Perrish, director, West Coast Metal Importers Association.

Mr. Perrish, will you identify yourself for the record and proceed.

STATEMENT OF JOHN QUIMBY, PAST DIRECTOR, WEST COAST METAL IMPORTERS ASSOCIATION

Mr. QUIMBY. Mr. Chairman and gentlemen of the committee, my name is John Quimby, stand-in for Mr. Perrish who was unable to make it today.

Mr. CURTIS. I see. Would you just identify your association.

Mr. QUIMBY. I am a past director of the West Coast Metals Importers Association and professionally I am vice president of the Banton Corp., a San Francisco-headquartered firm of importers of metals and industrial supplies.

Mr. CURTIS. We are glad to have you here and you may proceed.

Mr. QUIMBY. Thank you.

As our name indicates, our association is an organization of about 100 firms and individuals primarily engaged in supplying metal products to American industry.

Mr. Chairman, in view of the time of the day, you have our written testimony which we would request be entered into the record.

The CHAIRMAN. Without objection that will appear in the record.

Mr. QUIMBY. Thank you.

I would like to make a very brief oral statement.

The CHAIRMAN. We appreciate your cooperating with us. You are recognized.

Mr. QUIMBY. Basically we have found that there are three main reasons that we do have imports: that, one, the item or the quality is presently not available in the United States; second, the strong desire of small manufacturers to so-called tweak the nose of large, and in the past quite indifferent, major steel mills; and, third, where there has been a net cost savings after considering the much larger quantities that most buyers must purchase, the fact that they do have to live with inflexibility of delivery of 60 to 90 days or more into the future and they must have more restrictive credit terms.

Speaking very briefly about the questions of possible continued growth of the imports of steel and whether our present situation is contrary or not, we have found in the past few years on the west coast that United States Steel Corp., for example, has almost stopped the import growth completely on bars, wire rods, baling wire, concrete reinforcing mesh, and nails.

Basically this has been done through a readjustment of their pricing system and much better service and much better quality to their customers.

Actually, if you were to talk to an overseas manufacturer you would find that the United States is the last place he wishes to sell his product. This is true because the U.S. customers are the most demanding customers in the world.

They are very quick to reject a shipment because the quality or the condition of that shipment is not as it should be.

This is true because with their high labor costs they cannot afford to recondition this material and still make a profit.

Naturally the overseas markets are much less critical for these manufacturers to sell to. We have found also that imports have been hurt by the new domestic steel policies of extremely prompt shipment, mill stocks in many cases for their important customers, and recently as you gentlemen are aware they have granted extended credit terms to customers who would buy hedge-stricken inventories.

The preceding speakers have thoroughly covered, I believe, every other conceivable facet of the issues before you, particularly the matter of import quotas as to their relation to the import posture.

Suffice it to say that our association is opposed to the erection of new trade barriers including import quotas. Our reasons are given in detail in the written testimony submitted to your committee. They are the same valid arguments advanced by the preceding speakers who favor retention of our liberal trade policy which has proved in the past to be in the best interest of our nation.

Considering the hour anything further would be redundant.

I would like to add our voice to those who oppose protectionism.

(Mr. Quimby's prepared statement follows:)

STATEMENT OF JOHN QUIMBY, WEST COAST METAL IMPORTERS ASSOCIATION

(Testifying is WCMIA delegate John Quimby, vice president, Banton Corp., San Francisco, Calif.)

Mr. Chairman and members of the Committee, the West Coast Metal Importers Association welcomes this opportunity to present the case for foreign steel as it affects the nation and especially the millions of consumers residing in our western states. Our organization represents more than 100 of the leading metal importers of the West Coast, and we are therefore perhaps as close to the question under discussion today as any group of individuals could possibly be.

Based on our extensive experience in handling foreign steel, then, as well as our natural concern over charges that the commodity we handle is disruptive to the economy of our own country, we have found ourselves in a very necessary position of making a highly-qualified appraisal of the demands of the domestic steel industry. Our findings and our objective decisions should be of considerable valuable to the intensive investigation now being conducted by this powerful Committee. We sincerely appreciate the burden which rests on the shoulders of the Committee members.

It is our considered opinion that upon your decision concerning the U.S. foreign trade position, whether it be for steel or for any commodity, lie two very clear courses for the future: the decision you make can either take us into an era of further domestic and international economic development, or, it could bring us to the precarious point of an international trade war.

Those seem to be the alternatives we are facing as we weigh the evidence presented to this Committee on the subject of our general trade policies. Whether the steel industry, or any other industry, likes it or not, this country's trade position must be considered within the framework of its total economy—and it is an exceptional economist who does not espouse the value of world trade to the United States.

As citizens, we object to current trade restrictions and to proposed trade restrictions. As steelmen we object specifically to the proposed measure which would place quotas on steel imports and to any other measures contrived to protect the domestic industry from competition.

Our domestic steel industry is like the awakening giant. It is capable of accomplishing most anything it sets its mind to, but during its sleep other countries modernized and developed their own steel industries to become effectively competitive. In the past eight years the awakening giant has roused itself to bring about marvelous steps to modernization, through research and development. Virtualy each year since that time, according to the U.S. Department of Labor, it has lowered its employment cost per unit of output. But it still claims to be unable to compete with foreign steel, so it very logically appeals to the Government for protection from the intruder. We say "logically" because as businessmen ourselves we certainly can't blame the domestic industry for seeking every device available to it to hold down the competition. Whether or not it is successful in bringing the device of legislated import quotas into play is another matter.

Should we, as taxpayers, provide what amounts to a subsidy to an industry that neglected its own research and development until it discovered what the rest of the world was doing? Should we provide a subsidy to the steel industry to allow it more leverage to compete with other intruders into its self-proclaimed market—such as our own plastics and aluminum industries?

Any trade policy that would prevent a free flow of imported steel would be just that: a subsidy. Imported steel has actually forced the domestic industry into its modernization program which is reducing the per unit production costs every year. Would the industry be modernizing at a cost of nearly $3 billion per year if steel imports had not brought it some competition? And let us not forget the consumer. Without increasing foreign competition since 1959, where would the cost per unit of steel production be today? And, consequently, where would the cost of steel manufactures, consumer items, be today? If the domestic industry succeeds in controlling steel imports through quotas or other devices, it is then free again to grow at its own pace and to set its own price.

Steel imports have kept prices down, providing greater purchasing power to the consumer. Remove the import competition and you remove a check and balance system which has improved consumer purchasing power. Once removed, the consumer pays more, and we are, thereby, out of our own pockets, subsidizing domestic steel.

The West Coast Metal Importers Association would not expect our elected representatives to support any legislation which has at its base a "consumer be damned" principle. Yet, protection from foreign imports would seem to be saying just that.

As a stimulator for domestic modernization, then, steel imports have been a friend to the domestic industry—and certainly to the consumer.

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 blank check to continue its pre-1959 inflationary spiral? The West Coast Metal Importers Association firmly believes that import competition is a healthy control on U.S. inflation—and that the country needs more such competition, not less.

What about all those jobs lost by the domestic steel industry due to imports? The American Iron and Steel Institute reports that the 11.5 million tons of steel imports in 1967 would have given work to 85,000 men. Yet, the U.S. Department of Labor reports that our own steel exports account for 87,000 jobs. And just where would the domestic industry find men to fill those 85,000 job opportunities lost to imports? Department of Labor statistics show that annual layoffs in the steel industry have dropped from a high of 3.4 percent in 1960 to 0.5 percent in 1966, while imports were rising from 4.8 percent of the total domestic market to 11.5 percent.

Actually, from various reports, including a Wall Street Journal survey, the steel industry is facing a labor shortage. Several thousand workers are needed in areas like Chicago, Gary, Buffalo, Baltimore, and even the West Coast.

It is an unreasonable argument to say that imports in general are stealing jobs from Americans. More than three million Americans are today working in jobs directly related to exports, handling our $30.3 billion worth of exports last year. And certainly the imports of $26.7 billion "create jobs directly for those engaged in their processing, distribution, or transportation, and indirectly for those employed in both export industries and in those industries dependent upon reasonably-priced imported supplies for their own ability to compete." That quote? From our late President John F. Kennedy in his trade message to Congress, January 25, 1962.

President Kennedy was referring to the thousands of jobs imports create for dock workers, shipping concerns, port authorities, financial institutions, truckers and other transportation workers, insurance people, and many different services—as well as the American firms which rely on imports to compete in an economy that has been nurtured on competition, that has survived because of competition, that is the most advanced, because the competitive spirit made it so.

The question of jobs being lost due to imports is definitely a moot issue, as is every other issue offered by domestic industry. Monies generated by domestic and by imported steel is another one.

Last year customs duties on steel imports amounted to almost one-fourth the total Federal income tax paid by domestic steel industry, but import customs duties averaged 7.73 per cent of total value while income tax averaged 2.4 per cent of total sales in the domestic industry. Importers themselves pay income taxes on their sales, as do other services handling imported steel. As an example, if 1,000 tons of imported oilfield tubular products are sold in California, $15 to $20 thousand in duty goes to the U.S. Treasury and, in part, supports hundreds of people who work for U.S. Customs, the customs brokers of California, insurance brokers, and so forth. Even before the duty is paid, about $2,000 would go perhaps to the Los Angeles Harbor Department for wharfage, dockage, and other direct fees. Possibly another $7,000 is paid to longshoremen and stevedoring companies for removing the 1,000 tons of pipe from the vessel onto the dock. Still another $5,000 is circulated to move the material from dock to storage. The 1,000 tons of tubular goods has thus put as much as $34,000 into circulation, plus an unknown amount of taxes. If the same tubular goods were bought domestically, less than half that amount would go into the California economy, based on a 6 per cent gross profit to the local agent of the domestic mill.

Steel imports have without question been rising, but that rise has not been as deleterious to the domestic industry and economy as the domestic industry would have us believe. Between the fateful years of 1959 and 1966, domestic production increased more than 40 million tons, then dropped off about 17 million tons in 1967. Between 1959 and 1966 imports increased 6.5 million tons—about one-sixth of the domestic increase. But efforts to blame imports for the 1967 domestic drop of 17 million tons are incorrect. Total steel imports increased only 800,000 tons in 1967. The long auto industry strike of 1967 would account for a large share of the domestic industry decline, and therefore the domestic production trend should be considered unrealistic for that year.

As a point of caution, both domestic production and steel imports for 1968 will also show figures that should not be regarded as realistic to the overall trends. Much early 1968 buying to build inventories against a potential steelworkers strike in August has placed domestic mills' profits out of proportion, and at the same time will likely send total imports for the year skyrocketing. Japan, for instance, actually showed a drop in steel exports to the United States from 4.7 million tons in 1966 to 4.3 million tons in 1967. But at least one leading Japanese steelmaker, basing a prediction on orders already placed, is expecting Japan's exports for 1968 to exceed 6 million tons.

Even with record-setting domestic production, members of this Committee can be expected to receive voluble complaints and sharp finger-pointing at the 1968 import figures. But we only ask that when you encounter those new pressures from the domestic industry, you take into account the circumstances of 1968. If it were possible to remove the periodic threat of a clash between the huge powers of labor and management, such irregularities would not appear in the natural growth of steel consumption. And once the 1968 inventories are accumulated, we can expect a reversal of the sudden increase as inventories are being disposed of.

Perhaps one of domestic steel's most frequently heard arguments against imports to bolster its demands for protection, involves the great price differential. Domestic steel claims it would be many years before the costs of labor, which is primarily blamed for the price differential, would bring equality between domestic and foreign steel. In Japan, for instance, the steelworker's wage is about one-fourth that of the U.S. steelworker. Other countries have wage scales somewhat closer to that of the United States. But in Japan, where steel companies are so eager to maintain their market in the U.S. that they have offered voluntary export controls in order to help this country to avoid the harmful quota system, actual wages are a small part of maintaining the worker. It is impossible to put a price on the Japanese steelworker's other benefits, for how can one evaluate job security, housing, subsidized meals, vacation resorts, twice-a-year bonuses of perhaps two months wages, company hospitals for complete medical care, company stores with prices frequently below wholesale., recreational and schooling facilities, retirement income after age 55, and so forth? Then, too, wages around the world are rising faster than in the United States.

Added up, the differential in steel prices must be the result of something else; which takes us back to our general thesis. Modernization of facilities can produce more and better steel in less time. It is efficiency of operation which brings the price differential of perhaps 17 per cent below the domestic market price.

There are several points, then, which the West Coast Metal Importers Association would like to make quite clear.

The first is a fact which we have learned by experience: In general, to sell imported steel, there should be a price advantage of about 10 per cent.

The second is related: If the price advantage now is about 17 per cent, what would it take for the domestic industry to improve its price by 7 per cent to become competitive with foreign steel? Domestic industry claims such competition would be impossible. U.S. Steel Corporation has already proved that wrong. It has reduced prices on several products and Pittsburgh can't keep up with demand. Competition is possible, even today.

The third point is further related: Research and development, which the domestic industry should have been doing in the 1950s, can bring domestic prices well within the competitive range of imports.

And fourth: All of this can be accomplished without the false protection of import quotas or other controls on imports, which would only reward an industry for its lack of foresight and at the same time alienate countries whose friendship we must have.

The real issue at stake should not be protection of an industry that is quite capable of taking care of itself, but rather protection of the consumer, who does not have the resources to prepare a campaign on his own behalf as the powerful domestic industry has done.

In summary, then, it is the position of the West Coast Metal Importers Association that:

1. Imports of pig iron and steel mill products have not adversely affected the United States balance of payments; and in fact controls on imports would adversely affect the U.S. balance of payments.
2. Imported steel has not contributed to reduced employment in the domestic steel industry; and in fact has created new income and new jobs.
3. Imported steel has not captured such a share of the domestic market as to threaten the soundness of the domestic iron and steel industry; and in fact said industry can and should compete more vigorously for both domestic and foreign markets to become a more valuable member of the U.S. economic community.

4. Imported steel does not threaten the national security; and in fact has forced the domestic industry to adopt improvements that have been and will continue to be of greater significance to the national security.

The West Coast Metal Importers Association expresses its sincere appreciation to each member of the Ways and Means Committee for permitting it to voice its views in this hearing, and begs the Committee to take no action which would in any way interfere with normal growth of world trade.

The CHAIRMAN. We thank you, Mr. Quimby, for substituting for Mr. Perrish and giving the statement.

Are there any questions?

We thank you, sir.

Mr. QUIMBY. Thank you.

The CHAIRMAN. Mr. Perry.

Mr. Perry, we are pleased to have you with us today.

If you will identify yourself for the record and those at the table with you we will be glad to recognize you, sir.

STATEMENT OF J. WILEY PERRY, JR., CHAIRMAN, IMPORT STUDY COMMITTEE, CAST IRON SOIL PIPE INSTITUTE; ACCOMPANIED BY JEROME O. HENDRICKSON, EXECUTIVE VICE PRESIDENT, AND FREDERICK D. HUNT, FOREIGN TRADE CONSULTANT

Mr. PERRY. Mr. Chairman and members of the committee, my name is J. Wiley Perry, Jr. I am chairman of the import study committee of the Cast Iron Soil Pipe Institute and vice president of the Alabama Pipe Co. of Anniston, Ala.

The CHAIRMAN. You may have a seat if you desire.

Mr. PERRY. With me today are Mr. Jerome O. Hendrickson, executive vice president of the Cast Iron Soil Pipe Institute and the institute's foreign trade consultant, Frederick Drum Hunt.

The CHAIRMAN. We appreciate having all of you with us and I want to suggest that the members pay special attention to what you are going to say, Mr. Perry.

I have had an opportunity to talk with you ahead of the hearing and I know that you are pinpointing some specific cases having to do with antidumping.

Mr. PERRY. Thank you, sir.

The institute is a trade association representing 23 manufacturers of cast iron soil pipe and fittings who manufacture about 95 percent of the total production in the United States with an approximate annual value of $150,000,000. You can readily understand that on the average we are speaking for an industry composed of relatively small companies with plants located in nearly all sections of the country—New Jersey, Pennsylvania, Virginia, North Carolina, Florida, Alabama, Tennessee, Texas, Iowa, Missouri, Colorado, Oregon, and California.

Our purpose in appearing before this distinguished committee is to support House Concurrent Resolution 447 which would make the adoption of the International Antidumping Code, negotiated during the Kennedy round at the GATT, ineffective without specific congressional approval and to implore that immediate action be taken to delay the July 1st effective date so that the Congress may have the time for its deliberate consideration.

Second, we seek to voice our support of House Resolution 16936, known as the Fair International Trade Act of 1968, which is now before this committee and, third, we propose the strengthening of the requirement for identifying the country of origin on imports and deletion of the so-called "J" list from section 304 of the Tariff Act.

A brief review of our problems in the area of imports will help to clarify our position on these three points.

Imports of cast iron soil pipe and fittings was nil until after World War II when with the aid of the Marshall plan the plants in Europe were rebuilt. In connection with this we had visitations from European delegations at our plants at the request of our State Department and gave them the benefit of the latest production techniques available at that time. During this same period due to information received by the Iron Curtain countries from captured German plants, they expanded their production and by the early 1950's we began to experience serious economic pressure from imported material.

In 1952 we asked the Treasury Department to investigate an antidumping case against the importation of cast iron soil pipe and fittings at less than fair value from Mexico into southern California. In this case the Treasury Department ruled that there was no likelihood of injury because the quantity imported from this source was, in comparison to the total U.S. production, very negligible although none of it reached eastward beyond the western part of Nevada and Arizona. The effect on the California market was not considered. During this same period, wages and prices began moving rapidly upward in relation to output and far more rapidly than those in Europe. By 1954, European plants were exporting to the United States at prices lower than those existing here. It was about that time that the importation of cast iron soil pipe, especially from France, began in considerable quantity. Other European countries quickly followed and commenced to sell soil pipe in the United States at prices which appeared to be below those in their own countries. Importers aimed especially at those points in the United States where there was the greatest demand for housing and the situation became so unbearable in California that American producers of cast iron soil pipe asked the Customs to investigate imports from the United Kingdom which it was believed were being sold in this country at less than fair value within the meaning of the antidumping legislation.

In 1956, the Commissioner of Customs found that British pipe was, indeed, entering the United States at "less than fair value" and the case went before the U.S. Tariff Commission whose members found that there had definitely been injury caused American pipe producers in the west coast region.

During the late 1950's, imports commenced to arrive from non-European countries not previously engaged in the export of cast iron soil pipe and fittings. The U.S. foreign aid program had been extended far beyond Europe and had built a large iron and steel industry in India. To compete with India, Australia found it necessary to reduce export prices and, again, the American producers of cast iron soil pipe and fittings found it necessary to request the Bureau of Customs to investigate. It was determined that there was importation "at less than fair value" but, when the case reached the Tariff Commission, the Australians agreed to "cease and desist" and the Tariff Commission then decided that there would be no injury.

By 1963, the importation of soil pipe and fittings had reached such proportions that some of the smaller American plants had to cease production, particularly on the west coast.

In 1964 Poland began exporting pipe and fittings to this country and at declared values which were so low they obviously were being dumped. On November 1, 1965, we petitioned the Commissioner of Customs to investigate these imports from Poland with respect to their fair value.

Twenty-two months later there was a finding of injury by the Treasury Department in the case of pipe but not in the case of fittings. How and under what regulation they could separate the two has never been explained. It was simply a matter of accepting a half loaf of 22-month-old stale bread or we presume we were at liberty to eat cake. Again the Tariff Commission found that there was injury in the case of pipe from Poland but they could not, under the adopted procedures, consider fittings. These two go together like a pitcher and a catcher on a ball team—one is useless without the other.

During the investigations into the Polish case we found that their exportation of fittings to this country were growing at an alarming rate. Normally in usage, the proportion by weight is approximately 25 percent to 30 percent fittings to 70 percent to 75 percent pipe. At one time their export ratio ran as high as 60 percent fittings to 40 percent pipe.

The reason for this is quite obvious when you consider that labor costs account for 70 percent to 75 percent of the total cost for manufacturing fittings whereas only 30 percent to 35 percent of the cost of manufacturing pipe is in the item of labor.

These people are not exporting pipe or fittings or nuts and bolts. They are exporting man-hours of labor in one form or another. We had no compunctions of conscience in setting rather low quotas on immigration to this country when our labor market became glutted. Ellis Island became a decaying monument to that period in our history. Why should we shy away from setting quotas on the products of this same labor which we prohibit as such?

In the antidumping case against cast iron soil pipe and fittings from Poland, the attorney for the Polish importer made this statement before the Treasury Department—"Polish pipe does not compete in the U.S. marketplace with French pipe." I might add there that they were comparing Polish prices with French prices which is the reason for that remark. "Polish pipe competes here with Indian pipe, which is much lower in price than the Polish pipe."

Again, I have a letter from the Dong Kwang Manufacturing Company of Seoul, Korea, which states:

> We would like to draw your kind attention on our cheap and abundant labor resources in Korea. Therefore, we confidently assure you that our products can be competed against Yugoslavia and Italian products of the same in American markets for its price and quality.

Do either of them offer to compete with American industry and labor for the American market? How do the underprivileged occupants of the American ghettos benefit from this type of competition?

Unless the American manufacturer receives fair and just treatment in this consideration we can promise you that every port in the United States will become an Ellis Island of the late 1800's and early 1900's, overflowing with foreign labor in one form or another. So who cares about our immigration quotas? How inconsistent can we be?

We question some of our actions on the international front as for example, and again referring to our case against Polish imports, my colleagues and I also question some actions in the administration of foreign aid. For example: during the long wait for a Treasury decision on dumping by Poland, we found that large amounts of soil pipe were being imported from Brazil at prices which appeared to be too low even for the Brazilian economy.

We found that in 1965–66 U.S. imports from a certain company in France declined considerably and that during this time Brazilian imports increased a similar amount. We also found that AID, our foreign aid program, had loaned or granted money to a Brazilian importer for a blast furnace to produce pig iron, used in the production of cast iron pipe. It was notable that this same French company held the controlling ownership in this Brazilian operation. Who, may we ask, benefits from the Alliance for Progress? Brazil or France? Into whose pocket does our AID money finally drift? American labor and industry certainly receive no benefit. They pay the bill but like the monkey that made love to the skunk, they have about enjoyed all of this pleasure they can stand.

An interesting observation on the manipulations of this same French company which is responsible for all of the French imports and 20 percent to 30 percent of the total imports annually owns and operates a foundry at Lynchburg, Va., and in its distribution is limited largely to the Southeast and Middle West. They do not ship to the west coast and little if any into Florida. Into what regions do we find French and Brazilian pipe entering this country? They're too smart to foul up their own nest, so their imports are directed largely to Florida and the west coast.

I think of no illustration to impress upon you the importance of protecting American labor than the actions taken by this same French company, which by the way is a member of our institute.

Following their purchase of the Virginia foundry and instituting there the manufacture of cast iron soil pipe, they then bought control of a Maryland foundry, presumably for their fittings production which the Virginia shop did not have. After operating this for a year or so, it was closed and I understand is now in the process of liquidation. Could it be that the competition in the case of fittings from Poland, which found their way mainly into the eastern seaboard from Baltimore to Boston and in the area served by the Maryland foundry have gotten too rough for the French? Could they possibly have found that the difference in labor rates paid in the United States compared to those in France and Brazil posed a barrier to a successful operation in the face of competition from Iron Curtain countries? The American manufacturer is expected to accomplish this feat. They can, with help. We don't want protection. We don't need that. We need a broad understanding of our problems and substantive assistance.

Referring again to the Polish case, we found that on other acknowledgements and quotations furnished by the Polish counsel the statement on a number of them read "Cast Marking: KZO." On some others we found the notation "Cast Marking: SALEM." It so happened that there was a Salem Pipe & Iron Manufacturing Co. located at Bridgeton, N.J., and subsequent investigation showed that they were an importer of Polish pipe and fittings. It would be reasonable to assume that the Polish material would be comingled with their own production in sales to American customers.

With this information we petitioned the Treasury Department to remove cast iron soil pipe and fittings from the "J" list on October 25, 1967, for the third time, having made unsuccessful attempts on two previous requests. On March 5, over 4 months later, we received notice that our request was denied.

The latter part of March we went back to them to seek information on how we could obtain reconsideration based on precedents established in other similar cases or what recourse there was for us to follow. The answer was loud and clear—"Get the law changed."

On the 9th of April of this year we consulted with Alabama Senators and Congressmen about obtaining a rider on some bill to do just that but were advised to use another tactic and a joint letter from all the Alabama congressional delegation was addressed to Secretary Fowler asking for reconsideration in this case.

On May 23 Secretary Fowler advised the congressional delegation that he had instructed the Commissioner of Customs that the allegations concerning possible misrepresentation or deception as to country of origin warrant an investigation and that such should be done on a priority basis.

We have reviewed these cases in order to emphasize the importance to our industry of the legislation mentioned at the start of our testimony and, in fact, to the entire American economy. We feel that in light of the present tempo in the market place our present laws are inadequate, that tariffs as a control device are no longer effective, and that any reforms or changes must be instituted by the Congress.

We hope you will be just as adamant in this connection as you have exhibited recently with regard to other very important domestic legislation and we commend you for your tremendous courage and foresight.

Please accept the gratitude of our industry for the valuable time and attention given us this morning and if there are questions we would be happy to answer to the best of our ability.

The CHAIRMAN. We thank you, Mr. Perry, for bringing to us the experiences of your industry.

Are there any questions?

Mr. Curtis.

Mr. CURTIS. I would just like to inquire briefly about why your industry feels that the International Antidumping Agreement is inadequate.

First of all, you didn't think that the negotiators had the authority to negotiate it. Frankly, I though they did. I might have been wrong. I am interested in any brief that you might have as to why you thought our negotiators went beyond their powers. But I am primarily concerned as to why you think that it would not be a good idea to have an international agreement on what dumping is and protection against it. Your problem was that you didn't get the kind of quick remedy that you sought in going the antidumping route. Am I right?

Mr. PERRY. That is true, but we feel this way: we kind of agree with the report submitted by the Tariff Commission on that.

We think this is a function of the Congress of the United States.

Mr. CURTIS. We write the laws but we don't execute the laws.

Mr. PERRY. Well, that is the law. That is the Tariff law that we have got to abide by, the one that is written.

Mr. CURTIS. That is right, but someone else actually administers it and determines whether there has been an actual violation of the antidumping law. We don't actually perform that function but we can change the law if we think that the criteria are wrong that we have established for finding what is illegal under antidumping. We can change the remedies.

One of the things that I thought was accomplished through the international agreement was to make the processing of antidumping claims quicker, more certain, so that if there was a cause for complaint the remedy would be quicker.

Now, from listening to your presentation, it looks like you experienced a lot of delay in having your claims processed. I would think that shortening the processing time would be advantageous and that is why I was raising the question of why you would approve of a resolution that seeks to set aside what I would have thought was improvement of our antidumping laws.

Mr. PERRY. Well, I think this: in that antidumping code that was negotiated at Geneva if I read it right the actions of the Treasury and the Tariff Commission parallel each other and overlap and it is hard to tell which one has jurisdiction and which one does not have jurisdiction.

Maybe Mr. Hunt here has another answer to that.

Mr. CURTIS. But they neither one had anything to do with the negotiations in Geneva.

They might have given advice but we came back to the key point, how do we improve our antidumping procedures in the United States? Here it seems to me that making them quicker and more certain is improvement rather than the other way around.

Mr. PERRY. I believe Mr. Hunt could answer that for you better than I can, Congressman.

Mr. HUNT. Congressman Curtis, one of the troubles is at the Treasury Department. I have heard you ask several witnesses questions today as to whether or not they think that the present administrative machinery is satisfactory. This is where the trouble lies. This could occur under either law.

In the first place, the new Antidumping Code changes the regulations which certainly make it an amendment to our present antidumping law. I don't see how you can deny that.

Mr. CURTIS. The Treasury does deny it and that is why I am seeking your advice as to why it does. That is the question.

I was very concerned that our negotiators be responsive to Congress and not go beyond the law and that any new regulations or any agreements be within the four corners of our present law.

I can be in error. There are others besides yourself who have alleged that the new International Antidumping Code goes beyond the authority they had, but I am looking for the reasons you think so.

Mr. HUNT. In our case with Poland it was a classic example because in the first place the Treasury said that because it was in the Soviet bloc, it took an especially long time, they could not use figures from Poland.

In other words, they had to treat that country differently from any other country although the present law does not specify a difference between countries.

It seems to me, Mr. Curtis, that all we have to do is set a legal time limit on the Treasury Department's investigation in the same manner as is now set upon the Tariff Commission.

Mr. CURTIS. Well, the international agreement sought, as I understand it, to try to cut back these delays. In these other countries who have antidumping laws, too, if we have delays they have even more serious delays.

In fact, their antidumping actions are not even by law but are frequently by bureaucratic action.

Mr. HUNT. That is correct, and I know that Canada through their delegation to Geneva agreed in principle to this also they specifically stated it was subject to parliamentary approval.

Mr. CURTIS. I think in their instance it probably is because they do not have the damage aspect and the International Code does.

There I think there was a change in substance in respect to Canadian law but I don't see any change presently in substance between the International Antidumping Code and our present antidumping law.

The better way to answer this question, rather than to take the committee's time, is to submit a brief on this issue. Just explain why you think that we are exceeding the authority. I am also interested in this brief if you would set out why you think this new code isn't an improvement.

I think it is an improvement and would have benefited your industry in the process of your antidumping claim. Whether you won it or not at least it would have been certain and quicker.

Mr. HUNT. I think that we can show that a case like the one against Poland would not have improved our case but the main thing, Mr. Congressman is, getting back to the theory, who is under the Constitution regulating the international commerce of the United States. Is it a staff in the executive department or is it the Congress?

Mr. CURTIS. Well, it is obviously both. I am getting a little tired of this question because surely you recognize the answer.

Congress legislates and in legislating what we essentially are doing is giving power to the Executive under guidelines, but the Executive is the one who has to execute the laws.

Now, surely the witnesses who come before this committee recognize this. You are not asking Congress to get into the business of administering laws, are you? You are not.

Mr. HUNT. No, sir.

Mr. CURTIS. Then let's deal with this on the proper basis.

Mr. PERRY. I would like Mr. Hunt to come up with a brief on that to give you a clearer picture.

Mr. CURTIS. Thank you.

The CHAIRMAN. Thank you gentlemen for coming to the committee.

(The following letter was received by the committee:)

FREDERICK DRUM HUNT,
Washington, D.C., July 22, 1968.

Hon. THOMAS B. CURTIS,
Longworth House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE CURTIS: I regret very much that I have taken so long to reply to your kind letter of June 24th concerning testimony before the Committee on Ways and Means given at the hearing held on June 18th. Your letter poses two questions: (1) Why I think the negotiators at Geneva exceeded their authority in negotiating the International Anti-Dumping Code, and (2) my reasoning as to why the new code is not an improvement over the old one.

It seems to me that a long brief on this subject would be superfluous in view of the vast amount of information already in the records of both your Committee and the Senate Finance Committee. I agree with the points made there by several people and I trust that you have had an opportunity to read the transcript of the hearings before the Senate Committee on Finance held June 27th.

In reply to your first question, the Trade Expansion Act of 1962 served as the terms of reference for the Special Representative of the President and his delegation to the so-called Kennedy Round of Tariff Negotiations under the General Agreement on Tariffs and Trade. This Act authorized the Delegation to negotiate with other members of the GATT to reduce tariffs and permitted such reduction to go as low as fifty percent. It is my assumption that the intent of the Congress was to limit the negotiations to tariff concessions and this seemed quite proper within the Constitutional authority of the Congress to regulate the foreign trade of the United States. I fail to find any authority in the Act of 1962 to negotiate an international agreement on dumping or any other subject except a general reduction of tariffs within the rules of GATT.

You will surely recall that there was very little activity at the meeting in Geneva for the first year and one half. It was apparent to all that most of the European members of the GATT were not very interested in reducing tariffs and were certainly not in a hurry. In my personal opinion, the United States delegation should have been called home after one year but I realize that the Administration felt they must have something to show. At about this time, the Special Representative, acting under the power of the President to negotiate international agreements, decided to take advantage of the presence of so many experts from so many countries, to negotiate an agreement on an international code to settle dumping cases.

Discussion is one thing, but to make an agreement which changes the dumping laws of the United States, is another, and there should not be more than mere preliminary discussion until the Congress has had an opportunity to hold hearings and vote authorization. The mere presence of one or more of six members of the Congress as observers with our Delegation, does not imply Congressional approval. Ambassador Roth said that he thought he had the approval of the Congressional observers but one of those six stated in the Senate that he was not taken into the confidence of the negotiators and that "all I knew was what I read in the papers". He said that he was told that the question of dumping was being discussed between the GATT members, but he was not aware that an international agreement was about to be signed.

When it became apparent in 1966 that the President's Special Representative to the Tariff Negotiations was about to bring home as a fait accomplis an international agreement that had nothing to do with tariffs, the United States Senate passed Concurrent Resolution number 100. This was sent to your Committee on Ways and Means and should have been reported out to the whole House as soon as possible. This Resolution stated clearly that the agreement was a usurpation of the legislative functions of our government and should be submitted to Congress for study, hearings, and final action. It is my understanding that the pressure from the Administration was so great that the Chairman felt that hearings should be held on such a controversial matter and there was not sufficient time left in the 89th Congress. However, one would have thought that such action by the branch of the Congress which usually ratifies treaties, should have served as a warning to Ambassador Roth and his colleagues. It was, therefore, rather astonishing to have them go ahead and ask the Treasury Department to promulgate new regulations to be effective July first of this year.

Coming to the second question, I would like to refer you to the very fine study of the International Anti-Dumping Code made during the summer of 1967 by the American Mining Congress. A copy was sent to each member of the Ways and Means Committee. I am also very sorry that you had to be absent from the committee room during the hearings in June when a spokesman for the cement industry presented testimony. Cement is a product like cast iron soil pipe which is not readily moved very far from the port of entry. Therefore, imports at less than fair value can so disrupt the market in just one section of this country as to injure the entire industry. This feature has been recognized under the existing anti-dumping law of this country but would not be given such recognition under the definition of injury given in the international code. I hope that you have read the Cement industry's brief carefully. I agree with it whole-heartedly and I see no use in repeating the thought here.

In view of your great interest in this question, I am sure that you must have read the report of the Tariff Commission on Senate Concurrent Resolution 38 regarding the International Anti-Dumping Code. This report was published March 13th. On June 27th, Commissioner Clubb gave further testimony before the Senate Finance Committee at which time he pointed out that in all probability, four of the last five dumping cases brought before the Commission would have been decided differently if the terms of the Code had been used instead of those of the existing law.

Nothing I could say here would give you any more information than the transcript of testimony before the Senate Finance Committee on June 27th and, although you are a member of the House of Representatives, I recommend that you read this.

On June 27th, the Senate Committee also heard testimony from the Counsel for Ambassador Roth and from the General Counsel of the Treasury Department. The former was unable to give a satisfactory explanation of his statement that the Code was consistent with present law. The latter admitted that the Treasury Department had already gone beyond its powers in the consideration of the merits of dumping complaints. The Customs Simplification Act of 1954 had a section which amended the Act of 1921 to make it clear that the Treasury Department through its Bureau of Customs was to make only the "arithmetical" determination that there was importation at less than fair value, and that the Tariff Commission was to decide whether or not there was injury.

In the complaint against Poland for the importation of cast iron soil pipe and fittings, the Commissioner of Customs found that both pipe and fittings were being imported at "less than fair value." Later the Assistant Secretary of the Treasury decided that pipe was being dumped but not fittings. Besides the fact that you cannot have a drainage system without *both* pipe and fittings, what right did the Treasury Department have to certify cast iron soil pipe to the Tariff Commission but not fittings? In my opinion, it was a means of appeasing the Poles without throwing out an obviously valid case. General Counsel Smith told Senator Hartke that he thought the Treasury Department should make some decision after receiving the "threshold facts" and he thought this might save the taxpayer's money in the event the complaint was a minor one.

During the hearings before the Ways and Means Committee in June, I heard you say several times that the Congress only makes the laws and it is up to the Executive to carry them out. You asked several witnesses if they had sought remedies through the executive branch. Most had and had been rebuffed. Is not the case cited in aforegoing paragraph an example?

In the twelve years following the Act of 1954 which gave the Tariff Commission the sole right to decide injury, the Treasury Department received 371 dumping complaints, 230 of these were dismissed on the grounds that there was importation at less than fair value. Of the remainder, only 52 were referred to the Tariff Commission for a finding of injury. (Only 12 of those were decided in favor of the complainant.) In the other 89 cases, the Treasury decided that there had been importation at less than fair value but these were dismissed as being *de minimis* or because "price revision" had suddenly take place. This informal arrangement denied the Tariff Commission an opportunity to decide the question of injury or *threat* of injury.

If American industry has obtained so little protection under the existing law, how could it expect any from the new regulations established under the International Code which would limit withholding of appraisement to three months and would give the Treasury Department the opportunity to decide a question of injury—possibly based on the current whim of the Administration in office?

I hope, Mr. Curtis, that this letter answers some of your questions which arose on June 18th and please feel free to call upon me if I can be of any possible assistance to you or the Committee in the future.

Sincerely yours,

FREDERICK D. HUNT,
Foreign Trade Consultant.

The CHAIRMAN. If there is no objection, the Chair would like to include in the record immediately following the testimony of Mr. Patton and Mr. Abel this morning a statement delivered to us by the Tool and Stainless Steel Industry Committee. This committee decided to submit the statement rather than appear in person and deliver it. (See p. 1929.)

Mr. Epstein, we purposely held you to the last here because we knew you would be able to sum up in 5 minutes all the testimony of the iron and steel group.

We appreciate your coming to the committee.

STATEMENT OF LAWRENCE D. EPSTEIN, VICE PRESIDENT, PERRY PRODUCTS CO.

Mr. EPSTEIN. Mr. Chairman and members of the committee, my name is LawrenceEpstein. I am vice president of Perry Products Co., an independent stainless steel fabricating company in Philadelphia.

The CHAIRMAN. You may have a seat. If you omit any parts of your statement do so with the knowledge that the entire statement will appear in the record.

Mr. EPSTEIN. Thank you. I would like to just highlight my statement.

The CHAIRMAN. You don't want that in the record?

Mr. EPSTEIN. If possible, sir, it is a good advertisement for our company.

The CHAIRMAN. We charge for that.

Mr. EPSTEIN. Actually the little piece of paper that Mr. Mills is referring to will highlight what our company really does and that is fabricate stainless steel tanks, reactors, heat exchangers and other pieces of equipment which is used in the chemical, pharmaceutical, chemical whiskey and beer, and other industries both here in the United States and throughout the free world.

Perry Products Co. fabricates only stainless steels and our only volume is $2 million a year. It is a wholly owned subsidary of Perry Equipment Corp., the largest used equipment dealer in the country.

Perry Equipment Corp. buys and sells complete chemical and other plants for resale in the chemical industry both here in the United States and throughout the entire free world.

Perry Equipment does export quite a bit of surplus used machinery and scrap to various foreign nations.

Another Perry operation is Perry Products Co. of Puerto Rico which fabricates and distributes stainless steel products in the Caribbean area.

Perry Products Co. is against any imposing of quotas for steel. We have several reasons for this. As a stainless steel fabricator we import almost all of our raw materials. We import material from both Europe and from Japan. We find that the importation of stainless steel gives us several advantages not offered by the domestic steel producers.

We find specifically that we are able to buy materials in 60- and 72-inch widths at commercial prices and very competitive prices.

This material to date is not available in any sort of volume from the domestic steel mills. We also find that we are able to get extended terms and have certain factors added to our orders such as material being rolled within commercial tolerances but on the light side of the tolerance which gives us an edge as a fabricator.

We are definitely against elimination of competition from the foreign market as we feel that this would permit arbitrary price setting here in the domestic market. We are afraid that higher costs of stainless steels would hurt us in several ways.

No. 1, it would make us noncompetitive as a small stainless steel fabricator where we do not have the volume to purchase in large quantities and take advantage of discounts that are available only in very, very large volume purchases from domestic mills.

Secondly, we are afraid that higher prices of stainless steel would make our products noncompetitive against the materials of other construction, specifically lined steel tanks, plastic tanks, rubber lined steel tanks, items which are not fabricated from stainless but may be substituted.

We are now able to get a large part of this market by offering stainless steel equipment at very competitive prices.

In summary, we believe a quota system would be a restriction of free trade and would result in limitations of sources and suppliers of raw materials for us.

We feel it would directly result in higher costs of stainless steel raw materials for our production. We feel the higher cost of stainless steel would endanger our competitive position as a stainless steel fabricator in both the domestic and foreign market.

I would like to add that we do import approximately $200,000 to $300,000 worth of finished goods to Latin American countries a year; also some to Asian countries under AID programs.

It is also felt that higher prices of stainless steel materials would result in a loss of the share of the market for stainless steel products to other materials of construction.

We strongly hope that domestic producers might choose to meet international competition. We would very much like to purchase our stainless steel materials from the domestic producers should they choose to compete in both product and prices.

Thank you, gentlemen.

(Mr. Epstein's prepared statement follows:)

STATEMENT OF LAWRENCE D. EPSTEIN, VICE PRESIDENT, PERRY PRODUCTS CO.

COMPANY DESCRIPTION

Perry Products Company is a moderate size, independent stainless steel fabricator, located in the north-central section of Philadelphia. Approximately 100 people are employed in the manufacturing of stainless steel storage, mixing and process tanks, pressure vessels, heat exchangers, chemical reactors and custom fabricated stainless steel process equipment. This equipment is sold to the chemical, pharmaceutical, beverage, paper, distilling, brewing, and other process industries in the United States and throughout the free world. Annual sales for the company are approximately $2 million dollars.

Perry Products Company is a wholly owned subsidiary of the Perry Equipment Corporation. Perry Equipment deals in the buying and selling of surplus chemical and processing plants and auxiliary equipment. Perry sells used processing equipment throughout the free world. Another Perry operation, Perry Products Company of Puerto Rico fabricates and distributes stainless steel products in the Caribbean area.

OBJECTIONS TO PROPOSED LEGISLATION

Our objections to legislation restricting importation of steel and other items are as follows:

1. Restriction of Free Trade—It is our belief that it is imperative to our economy and to the free world's economy to maintain an atmosphere conducive to trade amongst various nations. Arbitrary restrictions such as the proposed quotas will limit the trade between nations, and specifically injure the competitive position of Perry Products Company.
2. Limitation of Sources—The proposed Import Steel Quotas would limit the available sources for raw materials necessary in the fabrication of our stainless steel products. These limitations would prevent our utilization of materials presently not generally available at competitive prices in the domestic market. Specifically 60'' and 72'' wide sheet material which is currently available in the international market at very competitive prices. These products are currently not available except as special orders with correspondingly higher prices.
3. Elimination of competition from foreign materials permits arbitrary price setting in the domestic market. We believe the removal of foreign competition eliminates of the most important factors in price competition and will permit higher prices to be established by domestic producers.
4. Higher Cost of Stainless Steels—It is believed that the fixing of quotas on steel products will result in higher prices in the domestic market place. Instead of making efforts to meet the imported competition, there will be a tendency to continue at present rates and in effect subsidize the inefficiencies through higher prices. As an independent fabricator higher cost of material would severely endanger our operation.
5. Loss of Business Because of Higher Costs—Steel import quotas would require our purchasing of stainless steel products at domestic prices which in many cases are 20% higher than comparable imported materials. This 20% material increase must be passed on to our customers in the form of higher prices and will make our products much less competitive in the market place. This is especially true where our stainless steel products must compete against other materials, such as, polyvinyl cloride, lined steel tanks, or other materials less costly than stainless steel. It is especially feared that an increase cost in stainless steel prices will drastically reduce our ability to compete in the process industry against other materials of construction.
6. Restriction of Export Sales—It is strongly believed that our sale of finished products and scrap to foreign countries may be deterred through these trade restrictions. We are of the belief that other nations will put restrictive trade regulations into effect as a result of United States legislation in this area.

SUMMARY

Perry Products Company is strongly opposed to passage of legislation which will permit establishment of quotas on the importation of steel and other products. We believe such quotas would be a restriction of free trade, would result in limitation of sources and suppliers of raw materials and would directly result in higher costs of stainless steel raw materials for our production. In addition, we feel that the higher cost of stainless steel would endanger our competitive position as a stainless steel fabricator in both the domestic and foreign markets. It is also felt that higher prices of stainless steel materials would result in a loss of a share of the market for stainless steel products to other materials of construction.

CONCLUSION

It is our strong belief that legislation of Steel Import Quotas would greatly hurt our business and create a market place of arbitrary and unfair price setting. We strongly hope that the domestic producers will chose to meet international competition and increase their share of the international market. We would very much like to purchase our stainless steel materials from domestic producers should they choose to compete.

The CHAIRMAN. Thank you, Mr. Epstein, for bringing to us the views that you have expressed.

Mr. Schneebeli.

Mr. SCHNEEBELI. What percentage of your total stainless steel purchases of raw materials are purchased from foreign countries and what percentage domestic. Do you have that?

Mr. EPSTEIN. Yes, sir. We purchase about 70 percent of our material from foreign sources. That would be all of our sheet products.

Mr. SCHNEEBELI. Why not the other 30 percent?

Mr. EPSTEIN. Because they are plate products which today are not imported in great quantities. That is material thicker than three-sixteenths of an inch.

We find it not economical to import that. We don't use it in the volume.

Mr. SCHNEEBELI. The 20 percent differential is only restricted to what did you say?

Mr. EPSTEIN. To our sheet product. We feel there is at least a 20 percent differential.

Mr. SCHNEEBELI. Is much stainless steel sheet sold in the U.S.?

Mr. EPSTEIN. We purchase approximately $500,000 worth of stainless steel sheets for our operation.

Mr. SCHNEEBELI. No sheet from the United States?

Mr. EPSTEIN. We purchase some, not very much.

Mr. SCHNEEBELI. From what you say I don't see how the United States sells any steel sheet if there is a 20-percent differential in price to all customers.

Mr. EPSTEIN. We have experienced that 20 percent differential. We find that constant over the past 3 years.

Mr. SCHNEEBELI. I don't see how we have any domestic industry in stainless steel sheet. I will have to ask the stainless steel industry how they make any sales of sheet in the light of what you say.

That is all.

The CHAIRMAN. Are there any further questions?

Again we thank you, Mr. Epstein for coming to the committee.

I mentioned that he was the last of the witnesses in the category of iron and steel.

(The following letters and statements were received, for the record, by the committee:)

STATEMENT OF ARVO E. SUNDBERG, REPRESENTING THE CITY OF CONNEAUT, OHIO, AND LOCAL NO. 3256, AFL-CIO, STEELWORKERS OF AMERICA

My name is Arvo E. Sundberg, 414 Detroit Street, Conneaut, Ohio. I am a member of the Steelworkers of America, AFL-CIO, Local No. 3256 and a Director of the Conneaut Port Authority.

I am representing the City of Conneaut (population 16,000) by appointment of Council President William Wilson and unanimous approval of City Council, and Local No. 3256, AFL-CIO, Steelworkers of America, the bargaining unit at The Pittsburgh & Conneaut Dock Company. We go on record supporting House Resolution 14120, introduced by Representative Charles Vanik of Ohio and its counterpart in the Senate: Bill 2537, introduced by Senator Vance Hartke, Indiana. Conneaut City Council unanimously passed a resolution Monday—May 6, 1968, in support of this proposed legislation.

Conneaut, located in the Northeast corner of the State of Ohio, is one of the leading bulk cargo ports on the Great Lakes, and ranks high in the nation. Iron ore from the Upper Great Lake Ports (Minnesota area) and Canadian ores

(Labrador area) via St. Lawrence Seaway is our main import. These ores, unloaded at our port, are transshipped inland to the steel mill area, mainly Youngstown and Warren in Ohio, and Pittsburgh and Sharon in Pennsylvania. Limestone is an important import, too; coal an export.

The Pittsburgh & Conneaut Dock Company is well on its way towards completing a modern high-speed coal loading facility and beginning the construction of similar facilities for ore and limestone unloading.

Foreign ore imports have been harmful to our harbor and City economy. Since it does not move through our port, I do not have exact dollar figures, but let me bring some points to your attention. Exhibit A shows 13,282,414 Gross Tons of ore unloaded in 1953; 12,699,685 Gross Tons were unloaded in 1957. Normal tonnage in those years ranged from 9 to 11 million tons. This was what is called group ores, from Upper Great Lakes Ports (Minnesota areas), American ores—hauled by American ships—between American ports. We were rated as the fastest single dock for unloading iron ore in the world.

Discovery of foreign ore deposits with higher iron contents later shipped into our ports and steel mill areas (Pittsburgh, Youngstown, etc.) really slowed down our Harbor operation. Foreign ores have stymied the whole Great Lakes ore commerce. The State of Minnesota passed legislation lowering taxes on mined ores to help combat foreign ore competition.

The American Steel Industry, through extensive and expensive research, developed a process of pelletizing low grade ores into higher iron-content ores. These new pelletizing plants in the Upper Great Lakes area are just getting into full operation. Now I note that a new, similar $50 million plant is being constructed in Venezuela, so our foreign ore competition is still there.

The Conneaut Harbor ore unloading business is making a comeback with Upper Lakes pelletized ores and Canadian ores via St. Lawrence Seaway. The Canadian ores from Labrador ore fields, shipped via the Seaway, are a welcome stabilizer leading to our port's more steady operation. Note the total Seaway percentage (%) on Exhibit A. This ore trade is in constant jeopardy due to unfair Seaway tolls. The Great Lakes basin, as a whole, is handicapped in world commerce generally, due to Seaway tolls—the only American waterway with tolls.

Unit trainloads of ore, new self-unloading (1970) bulk cargo vessels (40,000 tonners in comparison with today's 18,000 to 20,000 tonners) and keener competition between ports is a constant challenge to the workers and labor leaders in retaining the present employment.

Continue uncontrolled and unfair foreign ore imports, and one can foresee trouble ahead.

The Nation's Steel Industry—the industry that has been the barometer of our Nation's economics, and stock market investors, will be in trouble. As goes Steel, so goes the country—was once a factual statement. What is happening to this once proud industry? I believe nothing more than what has happened to many industries, and still others will face. Competition within the industry, substitutes like plastics, aluminum, etc., longer-lived corrosion resisting steels, and other improved lighter, yet stronger steel alloys, are all part of the picture. The Steel Industry is meeting these competitive factors through technological improvements, automation, and overall plant modernization, which has substantially improved production.

Loss of jobs through mergers, automation, improved plant facilities, etc., is an ever-increasing, serious problem to the men affected, and officers of labor unions. Severence pay, right to transfer within the industry, higher pensions to encourage earlier retirement, assistance in seeking new jobs, are constantly being bargained for by the companies and unions. In the Steel Industry alone, 100,000 jobs have been lost since 1952, even though production has increased. Steel imports are currently costing the American Steel Industry about 12% of its domestic market. If this steel were produced in United States, at least 85,000 additional job opportunities would be available, plus thousands of others in supporting industries. In 1957, the United States imported 1.2 million tons; in 1967, 11.5 million tons, and the current rate is estimated at 16 million tons on a yearly basis. Foreign steel imports, left uncontrolled, will cause irreparable damage to the industry, workers and the American economy. It seems ironic that our Nation is the world's largest steel producer and yet the world's largest steel importer, with unused capacity which could fill all demands. The costly preparations the industry has made for expansion and growth, the hope of steelworkers for advancement and new openings, is being siphoned off by foreign imports. (Mill operators' statement. Wall Street Journal, May 28, 1968.)

Mr. Chairman, I recognize that foreign imports are a complex problem. I feel sure that Labor and Industry prefer free and fair trade, with little or no Government intervention, but the foreign competition we have encouraged and helped develop, with our tax dollars, is taking unfair advantage of us and is disrupting our industry and economy at the expense of our workers. This was well-stated by Senator Russell B. Long of Louisiana (Sunday—May 26, 1968, New York Times) quote: "I do not believe that all industries which have sought to preserve their rights to existence should be callously called 'protectionist'. There are some equities which we ought to consider with regard to these industries and their employes. If not, we will find ourselves 'upholding our international commitments' and standing on our own principles, while other countries, without the same commitments or principles, steal the horse from our barn by taking the American markets from American industry".

Some industries for years have unsuccessfully sought foreign import protection quotas through their Representatives and Senators. Now, more industries and unions are becoming seriously concerned about uncontrolled foreign imports, and with good reason. Manufacturers throughout the world, whether they make computers, steel, T.V. sets, compact cars, look at the U.S. market as a lucrative dumping ground for their products.

Japanese electronic companies are poised to launch a new assault on the U.S. market. They aim to export a variety of products, using integrated circuits, including electronic calculators and television sets. But they also aim to limit or delay foreign investment (U.S. companies) until Japanese companies are strong enough to hold their own against imported capital and know-how (May 4, 1968, Business Week). The Japanese do "smart business", develop their own country and industries on American capital and know-how. No foreign country can have major control of any of their industries. American-made cars are practically non-existent in Japan.

United States, a few years back, exported more steel than it imported. American tax dollars and know-how helped rebuild and modernize our foreign friend's industries and now they outbid us in our own country.

Francis Cameron, Chairman of St. Joseph Lead Company, stated he didn't like to see quotas imposed, but it would be "stupid" not to supply U.S. domestic customers from domestic sources at a time when concern is being expressed over the balance-of-payments situation and when there is a problem of oversupply. (Wall Street Journal May 14, 1968).

United States steel mills surely can *fulfill* America's needs.

James Roche, General Motors' Chairman, states: "We believe that vehicles produced in the United States should have the same unrestricted access to overseas markets that imports into the United States enjoy today". (New York Times, May 24, 1968)

As I understand it, many American-made products cannot be exported directly to various foreign countries. American industry is compelled to build subsidiary plants, as market-sharing licensees in foreign countries. Only an American subsidiary in France, for instance, has the right to supply markets in French-speaking African countries, this—in effect—cuts out exports from America. This definitely is not fair-trade.

Money goes to any part of this world; wherever it gets the best return. The Federal Government is concerned about this monetary outflow. Definitely there should be serious concern about the tax-paying American worker so that he does not get short-changed through this "shuffle" of dollars.

I disagree with Transportation Secretary Alan Boyd in his major "reforms" on the nation's maritime program, especially proposing building ships in foreign countries. Why talk about balance-of-payments? With Mr. Boyd's stand, the Great Lakes shippers will have difficulties getting Federal assistance for rebuilding their much-needed bulk cargo fleet. (Journal, May 21, 1968). I'm happy to read that the House Appropriation Committee voted $245 million for next year's construction of the Merchant Marine units; will some pass on to the Great Lakes?

Mr. Chairman, sometimes one wonders if the Federal Government is more concerned about foreign growth and economic problems than our own. I believe we bend over backwards to uphold our image and be helpful to all countries. But, let's not turn our back on American citizens and workers. Today's labor market is tight; every able-bodied person can find employment. This can change.

Picture the thousands of American workers who lost their jobs or were set back in the labor pool because of automation and mergers. Reluctantly, they had to accept the fact that automation and/or mergers are a must in today's highly-competitive business world, hoping that with anticipated company growth they would be hired back and work up the ladder again. Once they fully realize that foreign exports are siphoning off this growth and their jobs, then be prepared to watch the fur fly. The United Steelworkers, AFL–CIO Labor Leaders see this picture, and encourage support of the two pending pieces of legislation for the good of all American labor.

All the American worker seeks is opportunity to work and advance. He will provide for his family, build his own home, fight for his country, pay his taxes, and spend his money here in enjoying the fruits of his labor. American Industry and American Labor have always been willing to work together to enjoy the good things of life; together they can compete with any and every country on equal terms for the world market. In today's world, each country seeks to protect their own. We are not ready for one world society or Government. In fact, the fear of America's greatness by our foreign friends is an obstacle. They want our money, pick our best brains, and call the shots. The Theatrical Stage Employees Union, worried about members' unemployment caused by more film-making abroad, earmarks $100,000 to plug American-made movies. This we must add to "Buy American".

The Wall Street Journal, Wednesday—May 29, 1968, carried the article entitled: "Johnson's Trade Message Urges Rejection of Proposed Legislation on Import Quotas". I want to comment on this as I understand it. I fully understand that I am not as well versed as some members of the Administration, so please correct me where I am wrong.

First, I believe that we are bargaining in reverse. I believe that we have allowed The European Common Market Countries the whip hand. They are offering to speed tariff cuts substantially *if* the United States won't impose new protectionist measures and wins repeal by Congress of the "American Selling Price". Then, the President called on other nations to join us to reduce major non-tariff barriers that impede international commerce and block U.S. products from competing for world markets. "We will step up our efforts to prompt removals of these trade restrictions" he said. The ifs and Congressional repeal are held over our heads. My studies show that the Common Market countries and Japan have non-tariff barriers, market-sharing, limitations on foreign investors, etc. much more than our country's limitations on imports. They can give a little and yet have an open road to dump more of their products here. Our country's trust in other countries' promises always seems to backfire. Let's not kid ourselves; they need us. We should bargain and bargain hard and not sacrifice our labor. Our history shows that we win on the battlefield and lose at the bargaining table.

The President criticizes the import-quota proposals. He said they wouldn't protect the jobs of U.S. workers or the markets of American businessmen, but would force higher prices and prompt other nations to retaliate with new restrictions. Here, again, we show weakness. Does this mean that only by foreign imports can we keep our prices down at the expense of our labor?

The President further asks Congress to amend the 1962 Trade Expansion Act, stating it is too complicated and rigid. In this Act it seems to imply that imports do away with jobs (this should never happen), and only if there is "substantial" injury will one be retrained—how many job losses is substantial? (estimated 100,000 jobs in Steel Industry alone, and how many more in Auto Industry with only 120,000 cars exported to foreign countries, excluding Canada?)

How do measure jobs from Company's expected growth when this growth is taken up by exports, as in Steel?

Mr. Chairman, when the Steel Industry, one of the largest industrial employers and taxpayers in our Nation, says their growth is siphoned off by unrestricted, unfair foreign steel imports and when the Steelworkers of America, AFL-CIO say that foreign imports of steel and ores is eliminating jobs and they both join hands in common cause on eve of wage negotiations—they, I will believe.

I want to thank Chairman Wilbur Mills and members of the House Ways and Means for making it possible for us to appear here and give our viewpoints on Foreign Imports.

I tried to make as strong a statement as possible in pointing out that job opportunities to the American workers should receive top consideration in passing legislation on Foreign Imports.

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Conneaut Harbor is affected by Foreign Imports of Ore and Steel which, in turn, affects our city's economy. During the peak years, there were 320 hourly employees; now we have 185 with 23 laid off. These seem like small figures, but it is one too many to the individual worker that is effected.

SUPPLEMENT

A. Our Federal Government is our country's largest employer with the largest payroll and largest buyer in the American market. It is the barometer of our nation. Our government leaders—with their beliefs, faith and powers to legislate—are continually seeking to improve our way of life, and have molded our present society. The nations' leaders have promoted, encouraged and lauded our high standard of living, and stated there is more to come.

Our Federal employees, elected and appointed government officials, industrial supervisors and workers, receive the best monetary returns of any country in the world. We are all as one, seeking in our own way, the fullest benefits from the fruits of our labor. Desire to work, promotions, seniority advancements with pay increases—which add to improved pensions, is our normal pattern in life.

The proposed legislation House Resolution No. 14120 and its counterpart in the Senate are sound bills. They help assure growth in the American Steel Industries and allow generous quotas for foreign steel imports. With industrial growth, many senior workers will have better opportunities to regain their status, more new job opportunities for returning veterans and youth coming into the labor market, and in turn, will support our Federal Government's hard core program.

We seek your Committee's support on this House Resolution.

B. European automakers are increasingly turning their attention toward the "third market" of underdeveloped nations in mid and far East. Its potentials, they believe, are enormous. About 44% (3.9 million) autos will be shipped out by European nations this year of their estimated total production of 8.8 million cars: 44% export to our country's 120,000 autos. (Wall Street Journal—Tuesday, May 21, 1968). How can anyone defend the unjust export regulations that our nation's auto industries are saddled with?

EXHIBIT A

ORE TRADE AT CONNEAUT HARBOR, OHIO

Year	Total tonnage (gross tons)	Number of vessels	From Lake Superior (gross tons)	Via Seaway (gross tons)
1953	13,282,414	1,013	13,282,414	
1957	12,699,685	1,042	12,699,685	
1961	629,833	46	629,833	
1962	1,601,178	113	1,601,178	
1963	1,504,083	84	485,994	1,018,089
1964	3,522,998	212	2,479,399	1,043,599
1965	4,342,799	293	3,376,986	965,813
1966	6,699,463	423	3,847,317	2,852,146
1967	5,899,648	354	3,019,758	2,879,890

EXHIBIT B

COAL TRADE AT CONNEAUT HARBOR, OHIO

Year	Total tonnage (net tons)	Number of vessels	Percent Canadian ships carried [1]
1961	645,484	83	23.48
1962	890,742	99	26.77
1963	1,155,616	137	43.58
1964	1,282,120	136	75.92
1965	3,466,385	269	76.24
1966	5,104,419	478	84.55
1967	6,482,105	427	69.80

[1] Via Welland Canal.

STATEMENT OF C. WILLIAM VERITY, JR., PRESIDENT, ARMCO STEEL CORP.

Mr. Chairman and members of the Committee, my name is William Verity. I am president of Armco Steel Corporation, a fully integrated producer of steel mill products with headquarters in Middletown, Ohio. This statement is submitted on behalf of the 40,000 men and women employed by Armco throughout the United States as well as approximately 75,000 persons who have invested in the common stock of the company. We appreciate this opportunity to request your favorable consideration of legislation for immediate limitations on the import of foreign steel.

Very frankly, our concern about excessive foreign steel imports stem from our desire to maintain Armco as a company with a future—a future that can create new jobs for today's young people, offer greater advancement opportunity and other rewards for performance to present employees, and provide a reasonable return on investment to our shareholders.

By January 1, 1970—about 18 months from now—Armco will have completed almost all of a six-year, 800-million-dollar program of capital improvements to steelmaking and manufacturing facilities in California, Kentucky, Maryland, Missouri, Ohio, Oklahoma, Pennsylvania and Texas, and to our coal mines in West Virginia.

This represents the greatest capital improvements program in our history. By 1970, Armco will have nearly doubled—within just six years—its total investment in property, plant, and equipment (and will have become a commensurately higher contributor to Federal and local tax revenues). At the same time, our company's long-term debt load and lease obligations will be more than three times as heavy as they were in 1964.

When Armco management made the decision early in 1964 to commit this enormous amount of capital to more productive and more versatile facilities, it represented the culmination of many exhaustive studies of market conditions and steelmaking technology. But it also was based in part on these two assumptions:

First, that the total consumption of steel in the United States would continue to keep pace with general economic growth, i.e. a growth rate of about 4% annually.

Second, that with these advanced and more productive facilities, Armco could at least maintain its current share of the market.

It is now painfully apparent that our 1963 projections should have given greater weight to the fantastic growth of steel imports. Otherwise, current figures indicate that our assumptions were on the conservative side—the growth in apparent domestic consumption has been at an average rate of 5.2% since 1962, and Armco has slightly improved its relative position as a domestic steel producer.

But too much of this growth in consumption went to foreign producers, during the period 1962–67, when steel imports grew at an average rate of 22.8% annually. We developed our projections during a period when foreign steel imports represented only 1 ton in 16 of apparent domestic consumption; today, that ratio is 1 ton in 8, and growing.

We at Armco still have faith in the strength and potential of the U.S. economy, but we no longer have assurance that the domestic steel producers, including our company, will be allowed to share proportionately in this growth.

As I see it at this time, Armco can realize the benefits of its capital improvements—and the additional jobs and revenues such improvements can bring—only if some equitable method can be worked out whereby our company can share in the growth of domestic consumption. The Iron and Steel Orderly Trade Act, in my opinion, will provide all steel producers, both United States and foreign, an opportunity to participate in the anticipated growth of our domestic steel markets.

If no action is taken to restrain imports, I am convinced that foreign steel will take an even greater share of the domestic market. Under such circumstances, the debt burden Armco has already assumed for this capital improvements program could very well sap our financial resources to the point where it will be difficult to maintain a satisfactory rate of growth.

Armco management has already reached the point at which we are reluctant to commit ourselves to further capital investment for steelmaking operations. As an example, we intended to ask our Board of Directors last Friday to authorize funds for two major additions at our steelmaking plants. But after reviewing the current situation, our Executive Committee decided to defer both recommendations. While I would prefer not to identify the facilities or the plants involved, I will say that the total capital expenditure involved was in excess of $100,000,000.

In conclusion, Mr. Chairman and members of the Committee, we at Armco feel that our company is at a crossroads. Your decisions and actions will to a great degree influence our future direction. I strongly endorse the remarks submitted by Mr. Tom Patton on behalf of the domestic steel industry, and hope that this frank presentation of our company's concern will illustrate the dilemma facing our industry today.

STATEMENT OF NICHOLAS P. VEEDER, CHAIRMAN OF THE BOARD AND PRESIDENT OF GRANITE CITY STEEL CO.

The steady increase in imports of foreign steel is a matter of local as well as national concern. My comments will be about the local aspects of this problem and, specifically, about the impact of steel imports on our company and the Midwest community where our plant and offices are located. I hope to give the Committee on Ways and Means a fresh perspective on the extent to which unemployment and economic hardship could ultimately develop in industrial communities such as Granite City, Illinois. Certainly, the outlook for the future is bleak as long as our government continues to allow the steel industries of Europe and Japan to ship unlimited tonnages of their excess steel to American markets.

Let me make one point clear at the outset. The size of my company has not increased our vulnerability to import competition. Granite City Steel is a small company in comparison with most of the other integrated U.S. producers of flat rolled steel products. However, all our production facilities are concentrated in a single large plant. We are able to realize the operating efficiences which come with size in the steel industry. Our profits have been above average for our industry in most past years. Our plant is modern throughout and we are able to take care of ourselves as far as normal competitive pressures are concerned.

Import competition is another matter, even for Granite City Steel which has an unusually heavy investment in large, highly automated facilities. The average capital invested per each employee at our company amounts to $52,447. This is substantial even by the standards of the flat rolled steel industry which is accustomed to using some of the largest and most costly production facilities to be found in modern industry. We have invested more than $350,000,000 in plant expansion and modernization since 1950 to transform a once marginal and semi-integrated producer into a modern, efficient steel company integrated all the way back to the iron ore mine.

It is occasionally stated that American steel companies have been afraid to go into debt heavily enough to finance the investment required for them to take full advantage of new technologies. Our company would not exist today if several generations of management had not been willing to go into debt very heavily indeed when there was an opportunity for profitable growth.

Our heaviest capital investment has been made during the last 3½ years. Granite City Steel's net worth when we began this program was $113,027,000. We have since then invested well over that amount—a total of $135,000,000—in expansion and modernization of our Granite City plant and the development, jointly with Hanna Mining Company, of an iron ore mine and pellet plant only 85 miles from Granite City.

Today our company is stronger competitively than at any time in its history. However, depreciation and interest charges have increased tremendously and our long-term debt is at an all-time high of $148,189,000. This is the price of growth and we knew what to expect when we began to plan this program. Our decision to go ahead was based on the increasing demand for steel in our 25-state regional market. There was every reason to expect that we would be operating at much higher levels after our new facilities were completed. We would not have embarked on this program if we had not counted on higher volume, consistent with the growth in our market, to pay for it.

The current demand for steel is artificially heavy as a result of strike hedge purchasing. Leaving that aside, we have found that the growth in demand for steel in our market area has taken place as expected but that the additional volume is being siphoned off by imported steel.

Total imports of flat rolled steel in 1964, the year we arranged financing and committed ourselves to our latest expansion and modernization program, amounted to only 1,700,000 tons. Now, with more than three years of construction and breaking in behind us, we see imports of flat rolled steel at a level which is expected to bring the total for 1968 to almost 10,000,000 tons. The consequences are obvious.

Even the 5,500,000 tons of flat rolled steel which arrived in the United States in 1967 had a severe impact on our company and on that part of the bi-state St. Louis area consisting of the industrial district where our plant is located.

We have made several calculations based on the assumption that Granite City Steel's share of the American market lost to foreign flat rolled steel last year would have been the same as our share of the total American market for flat rolled. On that basis, we can report as follows:

1. Our company employed an average of 5,133 men and women in 1967. We would have employed better than 10% more people except for imports. As it was, those jobs went to steelmakers in Europe and Japan.

2. Our company paid $48,197,000 in wages, salaries and employee benefits in 1967 and most of it went to residents of Granite City and other nearby communities where we are the leading single employer. We would have paid almost $6,000,000 more into the local economy except for imports. The additional payrolls would have meant a lot to a community the size of Granite City, Illinois, which has a population of about 40,000. We would also, of course, have paid more state and local taxes except for the business lost to foreign steel companies.

In summary, we were damaged by steel imports even at their 1967 level. Granite City Steel lost important orders last year and provided fewer jobs. The economy of Granite City, Illinois, was less active last year and retail sales and other local business activities suffered to the extent that we pumped less money into the economy as a result of imports.

The 1968 import problem promises to be much worse and especially for flat rolled producers. The biggest growth in imports during the first four months this year compared with the same months in 1967 was in our products. Imports of all steel products were up 51% for the four months this year. Imports of flat rolled products were up 76%. If flat rolled imports continue at the present rate the rest of 1968, we will see 16% of the U.S. market for flat rolled taken over by imports. In some flat rolled products, imports will account for over 20%.

If present trends continue, imports will ultimately capture so big a share of the market for some steel products that it will no longer be profitable to make them in the United States.

We ask you, what can we do about this that we have not already done? We have a very modern steel plant. We compare favorably with the most technologically-advanced foreign flat rolled steel plants. However, we cannot compete with their low wage costs which enable them to undersell American steel producers at price differentials that exceed our total profit margins.

We are running out of time. What is needed is action now, action in the form of quotas limiting the volume of steel imports. Any delay would only encourage the foreign steel producers, particularly the Japanese, to continue their tremendous expansion of steelmaking facilities on the assumption that they can use the United States as a market for their surplus steel.

The real and present danger here is that we will see permanent damage done to a basic and vital part of our modern industrial economy, the American steel industry, before anything is done about the import problem. Should that happen, it may well be that we have exported steelworker jobs and imported not only steel but a lower standard of living for us all.

Statement of Paul B. Akin, President, Laclede Steel Co.

Chairman Mills and Distinguished Members of the Committee, my name is Paul B. Akin. I am President of Laclede Steel Company, one of the smaller companies in the basic steel industry. Laclede headquarters are in St. Louis, Missouri, with steel mills in Alton and Madison, Illinois, in the St. Louis district and with warehouse fabricating plants in Texas, Louisiana, Tennessee, and Florida. Laclede Steel Company has about 4,500 employees.

I appreciate the opportunity to offer a statement for the record in connection with hearings of the Ways & Means Committee on the subject of steel imports.

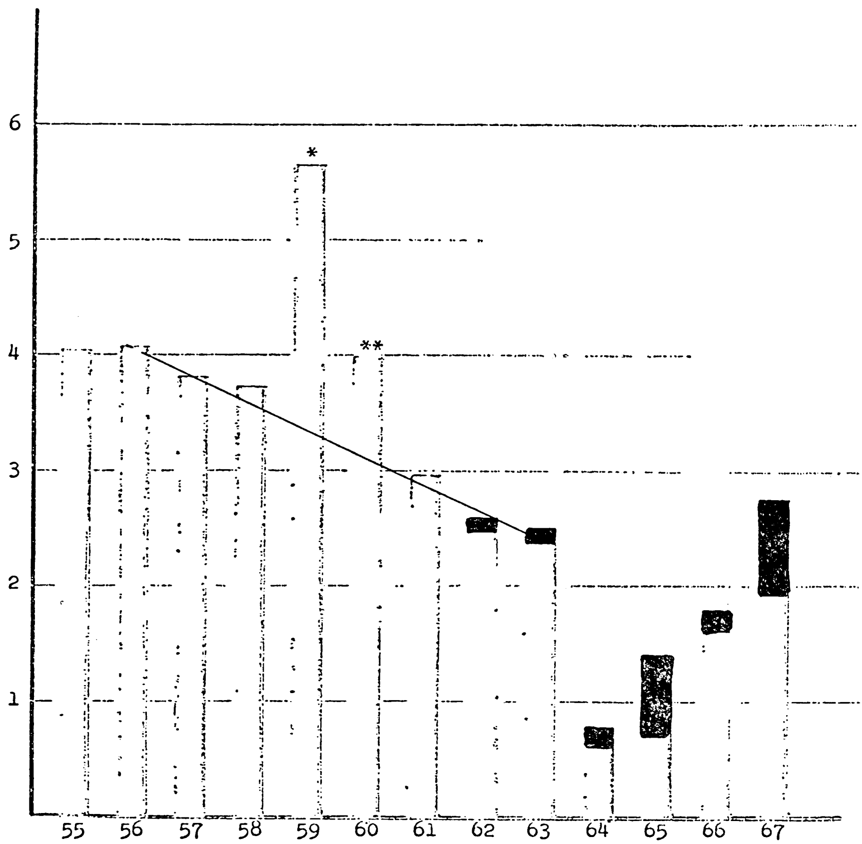
Laclede's product line consists to a large extent of reinforcing bars, rods, and wire products. Our earnings started feeling the adverse effects of foreign steel imports as early as 1956. Enclosed is a chart that illustrates graphically this decline of earnings in the years that followed. In 1964 earnings fell to a level of 1 percent on net sales. We have undertaken a heavy modernization program since 1964, and we expect debt ratio to reach 40 percent this year. Although we have been able to improve our earnings on net sales to 3.2 percent last year, much of the improvement is a result of the investment credit earned on our construction program. Our new equipment is extremely modern, and we are justly proud of it; but the discouraging aspect of this program is the knowledge that the Europeans and Japanese are building just as fast and just as modern at a much lower cost. Forty-one cents of our sales dollar goes into labor. If we had the Japanese wage rate, only 8½ cents would go into labor; and there would be lots of room for lower prices and profit. Obviously, they can and will continue to take more and more of the U.S. market as fast as their new equipment comes on line.

I am proud of the fact that the United States has a high standard of living, but I see no way that Laclede will be able to compete for long with the Japanese and the European steel industry against such an economic inequity.

It is my ardent hope that you will place a limit on the amount of steel that can be imported into the United States.

LACLEDE STEEL COMPANY SAINT LOUIS, MISSOURI

EARNINGS IN MILLIONS OF DOLLARS



* Steel Industry on strike. Laclede had a contract extension.

** Continued effect of 1959.

Investment Credit.

LUKENS STEEL CO.,
Coatesville, Pa., June 24, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

DEAR CHAIRMAN MILLS: Lukens Steel Company is a manufacturer of plate steels which are used in petroleum, chemical and food processing; electrical and atomic power equipment; industrial machinery and machine tools; construction; missiles and ordnance; transportation; shipbuilding; boiler manufacturing mining and quarrying equipment, and bridge and dam construction.

It has annual sales of approximately $130,000,000 and employment of 5,500. Since its inception in 1810, the company has played an important role in the economy of Coatesville, Pennsylvania, and Chester County, where it is the major manufacturing enterprise. Even so, its sales represent only 3.1 percent of the largest firm in the steel industry.

The company has been a reliable employer of Chester County people over the more than a century and half of its existence so that today among its employees are men and women whose parents, grandparents and great grandparents worked here.

Lukens competes vigorously and successfully in the plate steel market. In the past 10 years it has invested $86 million in a continuing plant modernization and improvement program, and it plans to spend an additional $50 million in the next five years. This is indicative of its firm resolve to strengthen further its competitive ability both presently and in the future.

There is cause for alarm, however, in the unfair advantage enjoyed by foreign competitors in our domestic market and the barriers other countries raise against the sale of our products there.

You and other members of the Ways and Means Committee heard Thomas F. Patton, chairman, Republic Steel Corporation, and I. W. Abel, president, United Steelworkers of America, testify on June 18. The joint appearance of those two men emhasized their concern over the impact of the growing increase in steel imports.

We at Lukens share that concern. For a company of our size to compete successfully with the major producers in the U.S.A., an extra measure of energy and ingenuity is required constantly. The problem is enlarged when the company also has to compete domestically with foreign steel producers which have advantages of home market protection, subsidies in prices and taxes and which are instruments of national policy.

It is our intense desire as individuals and corporate citizens to promote free and equitable world trade, but it is increasingly difficult to compete in an international environment which legislates against free market competition.

Therefore, we earnestly request your committee's favorable consideration of our views and ask Congress to enact the Iron and Steel Orderly Trade Act.

Sincerely,

CHARLES LUKENS HUSTON, Jr., *President.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 28, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a statement prepared by Mr. Martin N. Ornitz, President of the Roblin Steel Company of North Tonawanda, New York, in my congressional district, in support of my bill H. R. 13277. I understand this bill is being considered along with other tariff and trade proposals in the hearings now being held by your Committee.

In order to save the time of the Committee, we are submitting this written statement and did not submit a request to be heard in person. I respectfully request that this statement be made a part of the hearing record and that it be given full consideration at the appropriate time.

Thank you for your attention to this matter.

Sincerely yours,

HENRY P. SMITH III,
Member of Congress.

ROBLIN STEEL CO.
North Tonawanda, N.Y., June 24, 1968.

Chairman WILBUR D. MILLS,
Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

MY DEAR CONGRESSMAN MILLS: Your Committee at present is making a study of tariff and trade proposals. We wish to bring to your attention a discrepancy in the tariff regulations in which the tariff on billets is higher than the tariff on rod, a finished product made from billets. In this case, the tariff on a semi-manufactured product is nearly twice as high as that on the final product made from the semi-manufactured material. It would seem desirable that a proper spread be maintained between the tariff on imported billets and that on rod to permit domestic producers to roll foreign billets into rod and be competitive with imported rod material and provide jobs for U. S. workers. Under these circumstances, the tariff on billets should be lowered or the tariff on rods should be raised.

We further wish to point out the fact that the amount of rod presently being imported is growing at a very fast rate and will be even a bigger factor in the future to those producers in this field. We at Roblin Steel Company, although only a small steel producer of rod and bar, have seen some of our major customers increase their consumption of imported rod from 5 or 10% to as high as 75% of their present usage. Further, we have been advised by many of our customers that to remain competitive, particularly in the industrial and automotive fastener trade, that they will be forced to purchase larger tonnages of foreign rod for their applications. It is interesting and alarming to note that the price structure on foreign rod and bar is as great as 20 to 40% under current domestic prices.

We have also found that in the wire drawing industry the amount of foreign steel coming to our customers has been increasing at a rapidly accelerated rate, again, at price structures considerably under that currently listed by U.S. producers.

We at Roblin Steel Company find it very difficult to compete with imported steel. We have utilized the latest innovations in producing steel, striving continuously to lower our costs through increased capital expenditures, efficiencies in operation, and still, at the same time, see that our employees maintain a high standard of living commensurate with the American way of life without lowering the benefits we give them and the quality of product that we produce.

Additional studies are presently under way for expansion of Roblin Steel Company facilities with a subsequent increase in employment in this area. The present import situation is causing us great concern as to the feasibility of this expansion in view of the encroachment by foreign steel in our domestic market.

We trust that your Committee will seriously consider the factors involved and its effect upon our industry and the large number of employees who will be affected.

Very truly yours,

MARTIN N. ORNITZ, *President.*

UNION STEEL CHEST CORP.,
LeRoy, N.Y., June 4, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN MILLS: At long last it would appear that Congress is in a mood to consider some sensible legislation with regard to imports. The need for legislation not to bar imports but to land them at a competitive price has been a crying need for many years. If we are to continue to have the highest standard of living in the world with the labor costs that this produces, we certainly cannot expect to compete with foreign merchandise produced at 1/4 to 1/5 of our labor costs.

We wish to go on record in behalf of Union Steel Chest Corporation and its employees as respectfully urging that you bring before your Committee H.R. 16936 introduced by Congressman A. S. Herlong, Jr. and that you would see fit to vigorously work for its passage. Our product (steel tool boxes and fishing tackle boxes and injection molded plastic fishing tackle boxes) is a bit out of the ordinary and yet we have been adversely affected by both Japanese and West Germany imports.

Your strong and immediate support of this proposed legislation will certainly be appreciated by our entire organization.

Yours very truly,

O. J. MITCHELL, JR., *Vice President.*

AMERICAN PIPE FITTINGS ASSOCIATION,
New York, N.Y., June 20, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means of the House of Representatives, U.S. House of Representatives, Longworth House Office Building, Washington D.C.

DEAR MR. CHAIRMAN: This letter and Brief are submitted on behalf of the producer-members of Malleable Iron Pipe Fittings of the American Pipe Fittings Association who respectfully urged that action presently be taken which would have the result of reducing imports of malleable iron pipe fittings (items USTS 610.7400 and 610.7000).

The industry's position and facts supporting it are given in detail in the body of the Brief, however, special emphasis is given to the facts by this summation.

(*a*) Fittings produced on the European Continent do not meet U.S. specifications, and vice versa. England uses castings to the same dimensions as the United States but the finished fitting has a different thread. Hence, there is virtually no trade between Continental Europe and the United States. However, Japan produces a malleable iron pipe fitting identical with the one produced in the United States. The American industry is being adversely affected seriously by imports from Japan.

(*b*) Nine domestic manufacturers, have discontinued manufacture, liquidated their facilities, and laid off employees since 1952. This included two of the largest firms in the industry each of whom had produced malleable iron fittings for over 100 years. The industry's production workers are mainly from a limited educational level and these layoffs add to that hard core segment of unemployment which today constitutes one of our Nation's major problems.

(*c*) The January 1, 1948 tariff rate on this product was reduced from 45% to 22½% ad valorem. At the "Kennedy Round" of GATT negotiations this was further reduced to 11% ad valorem.

(*d*) Since 1948 there has been a substantial increase in imports to the serious injury of the industry and its workers. More recently rough malleable iron pipe fittings castings are being offered by English foundries emphasizing that since devaluation of the English pound they are in position to quote very competitive prices.

(*e*) Since 1956 more than 95% of all imports have been from Japan, where the hourly labor rates are only 63¢* compared with $2.83* in the United States. In this industry 50% of the cost content of the product is labor.

(*f*) Japanese imports have been taking an increasing amount of the American market and in July of 1967 the percentage was 13.66% (U.S. Bureau of Census Report).

(*g*) An assured timely domestic source for malleable iron pipe fittings is vital to National Security. Each 1,000 square feet of construction put in place requires 20.2 pounds of malleable iron pipe fittings. During World War II this requirement increased to 78.7 pounds. Without a dependable source construction for shelter, sanitation, welfare and defense would be jeopardized.

(*h*) Present domestic capacity is fully adequate to meet existing and future demands for this product.

WILLIAM C. SMITH, *President.*

Subject: Brief supporting recommendation on item 610.7400 and 610.7000 malleable iron pipe fittings on behalf of producer members of the American Pipe Fittings Association.

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*Average hourly earnings in manufacturing, International Labour Office, Geneva. Japanese figure includes salaried employees, family allowances, mid- and end-of-year bonuses. In addition to U.S. figure fringe benefits paid by the pipe fittings industry amount to approximately 70 cents per hour.

PRESENTER OF BRIEF

This Brief is submitted by the American Pipe Fittings Association on behalf of its members who produce Malleable Iron Pipe Fittings for 150 lb. pressures. These Manufacturers produce all of this type of pipe fitting made in the United States. The producers are:

ASSOCIATION MEMBERS

Grabler Manufacturing Co., Cleveland, Ohio.
Grinnell Corporation, Providence, R.I.
Stanley G. Flagg & Co., Inc., Philadelphia, Penna.
Stockham Valves & Fittings, Inc., Birmingham, Ala.
Union Malleable Mfg. Co., Ashland, Ohio.
J. P. Ward Foundries, Inc., Blossburg, Penna.
Warwick Co., Lincoln Park, R.I.
Wheeling-Pacific Division, Wheeling Machine Products Co., Woodlake, California.

NONMEMBER COMPANY

Interlakes Machine & Iron Co., Grand Haven, Michigan.

THE INDUSTRY AND ITS PRODUCT

The Malleable Iron Pipe Fittings industry is a small industry, with the majority of companies located in small communities and thus provide jobs for an important percentage of the town's workers. Of equal importance is the fact that they pay a sizeable percentage of the tax requirements of their respective communities and support local civic organizations financially and in many other ways. That the companies have operated, and have been an essential part of their communities for many years, is clearly shown by the following tabulation:

Manufacturers	Years in business	Plant location
Grabler Manufacturing Co., The	114	Tiffin, Ohio.
Grinnell Corp	121	Columbia, Pa.
Stanley G. Flagg & Co., Inc	114	Stowe, Pa.
Stockham Valves & Fittings, Inc	68	Birmingham, Ala.
Union Malleable Manufacturing Co., The	56	Ashland, Ohio.
J. P. Ward Foundries, Inc	47	Blossburg, Pa.
Warwick Co., The	33	Lincoln Park, R.I.
Wheeling-Pacific division, Wheeling Machine Products Co	43	Woodlake, Calif.

The manufacturing facilities of the industry at current replacement cost are comprised of over $50 million of capital investment and are made up largely of specially designed single-purpose machines. These cannot be, except in minor part, economically converted to other production uses. Therefore, there would be needless waste of these tax producing facilities and millions of dollars in taxes paid at local and the National levels would be lost if the industry were to decline further.

Industry employees have long years of service with their respective companies and possess the necessary skills and production know-how required. Over 50% of the employees have a service record of 10 years or more.

The bulk of the industry's workers are drawn from that hard core segment of unemployment which today constitutes one of our nation's major problems. They come from a limited educational level and the skills required are more physical than educational. Most plants have a high percentage of Negro workers; over 50% of the workers in two plants are Negroes and all other plants employ sizable percentages. Due not only to the limited educational level, but also to the type of their skills, costly retraining program would have little to offer these employees, their facilities or the companies.

Although plants are operated efficiently and equipment is highly mechanized, profit margins have been small and frequently losses have been incurred. Comparatively small increases in foreign imports have a major impact on both the cost of production and sales realization. Such negative impact is wholly out of proportion to volume imported for the reason that said imports are confined to the popular sizes leaving the low volume high unit cost items to be produced by the U.S. manufacturers.

Pipe fittings are purchased only when there is a specific construction or component need. Increased volume is not created by lower prices or other promotional methods as in the case with consumer goods. Thus the sale of imported fittings reduces the potential need for domestic fittings in direct proportion to the quantities imported.

However, for reasons already noted, the impact of imports on the production costs and sales realization of domestic manufacturers is grossly disproportionate to the share of the domestic market pre-empted by imports.

All domestic malleable iron pipe fittings for 150 pound pressures are produced to standards promulgated by the American Standards Association and the American Society for Testing Materials. These standards stipulate required dimensions, materials and identifying markings. Hence, malleable iron fittings to these common specifications are fully interchangeable.

MAJORITY OF FOREIGN-PRODUCED FITTINGS DO NOT MEET U.S. SPECIFICATIONS

Although common specifications exist for domestically-produced pipe fittings, most pipe fittings produced in foreign countries do not meet these United States specifications. And are not imported. Likewise there is no foreign market of any consequence for the American manufacturer.

These variations may include type of metal (for example, in Europe its "white heart" malleable versus domestic "black heart") general design, dimensions, weight, wall thickness, number of threads per inch, type of threads, or a combination of these and others.

Japan, however, produces the same fitting as the United States and as our labor costs are 4½ times greater than theirs, they are able to capture a serious percentage of the United States market while U.S. manufacturers cannot possibly offer their fittings in Japan.

Illustrations of malleable iron pipe fittings are shown in Exihibit 1.

IMPORTANCE OF INDUSTRY PRODUCT

Domestic malleable iron pipe fittings are a standardized product and form an integral part of the requirements of the construction industry. This includes such building types as farm, residential, industrial, commercial, religious, educational, hospital, social and recreational. It would include repair and maintenance of such buildings as well. Significant quantities of these fittings are required in shipbuilding and military facilities and are also required in oil and gas production and distribution. In addition, many machine tools and hydraulic actuators of all kinds require malleable iron pipe fittings as components.

The inseparable essentiality of malleable iron pipe fittings to the $50 billion annual construction industry, and likewise to National Security, will be readily apparent from the fact that for each 1,000 square feet of construction put in place 20.2 pounds of malleable iron fittings are needed. During World War II when competitive materials became essential to the direct war effort, the consumption of malleable iron pipe fittings per 1,000 square feet of construction increased to 78.7 pounds.

Under like circumstances, no amount of "adjustment assistance" can meet the urgent necessity for pipe fittings. Such pipe fittings provide construction for shelter, health, sanitation and defense.

Malleable iron pipe fittings are critical to National Security as proven in World War II when the industry was called upon to support our industrial expansion and vital security programs. As previously shown, the malleable iron pipe fitting used in the U.S. is entirely different from the one used on the European Continent and is produced in substantial quantity by only one other country, Japan. Further injury to the U.S. malleable iron pipe fittings industry can only result in further diminishing its ability to serve the Nation. And in the event of a national emergency Japan might not be willing or able to supply our needs. It is, therefore, imperative that the U.S. maintain adequate production of malleable iron fittings within its own borders, as well as trained workers.

Perhaps the best proof of the industry's essentiality is the following letter received September 6, 1945 from the War Production Board at the close of World War II.

War Production Board,
Washington, D.C., September 5, 1945.

Mr. Roy L. Stewart,
*President, Pipe Fittings Manufacturers Association,**
New York, N.Y.

Dear Mr. Stewart: The Shipbuilding Division of the War Production Board, according to present plans, will cease to exist as a Division on 1 October 1945, or shortly thereafter. The present Director will return to inactive duty as of approximately that date.

Before leaving the War Production Board, I should like to acknowledge to you, and through you to the manufacturers of the pipe fittings industry, the splendid cooperation and immediate response which the industry has given the Shipbuilding Division in the last 4 years in meeting the greatly increasing requirements in pipe fittings for the war programs, at times in face of almost insurmountable handicaps such as competing demands for machine tools and changing demands necessary to the fulfillment of the strategic plans as the war progressed.

These programs were tremendous in their volume and range of types and sizes. The components produced by the industry were critical almost continuously. They were essential to our greatly expanded Navy and Merchant Marine and to the construction of a vast number of plants producing end products ranging from aviation gasoline to atomic bombs.

The accomplishment of this task so vital to the war effort is one of which the industry can well be proud. I wish you all a full measure of success in the peacetime years that lie ahead.

Sincerely yours,

J. O. Gawne,
Captain, U.S. Navy (Retired),
Director, Shipbuilding Division.

PRESENT PLIGHT OF INDUSTRY

Today the Malleable Iron Pipe Fittings industry is plagued by declining markets both in prices and tonnage—domestic and export. This diminishing share of the U.S. market is due in large measure to competition from low labor cost countries, primarily Japan and has resulted in over capacity of production facilities in the U.S. industry. Japanese produced fittings are equal in quality to those produced in the United States as proved by inspection and tests in our own laboratories.

In addition, Japan employs modern capital equipment of the most advanced design as a result of installation made following World War II.

The first malleable iron pipe fittings manufactured in Japan was in 1910. They were manufactured by Hitachi, who manufacture the gourd brand of pipe fittings. There are now twelve manufacturers of malleable iron pipe fittings in Japan with an industry capacity of 160 million pounds a year. The Japanese have taken almost all of the export market formerly enjoyed by the United States malleable iron pipe fitting manufacturers. In addition the Japanese are increasing their shipments of malleable iron pipe fittings to the United States.

The industry's normal capacity to produce 150 lb. pressure malleable iron fittings is approximately 150 million pounds per year. That such available capacity is beyond that required is evidenced by the fact that for the five years ending December 31, 1967 the annual average U.S. consumption was only 125 million pounds as represented by the combined total of domestic and imported shipments. Obviously imports are not necessary to meet existing or foreseeable demands.

On the basis of pounds, imports of malleable iron pipe fittings have steadily increased from 1.25% of American market in 1954 to an average of 8.23% for the year 1967. In July of 1967 imports took 13.66% of the United States market. The year 1968 started with January imports taking 10.21% of the American market.

In addition unknown quantities of unfinished malleable iron fittings castings (USTS 610.7000 not advanced) have been imported. More recently rough malleable iron pipe fittings castings are being offered by English foundries who emphasize that since the devaluation of the English Pound they are in position to quote very low prices.

*Now presently American Pipe Fittings Association.

While available data shows that imports have reached 13.66% of the domestic market, such imports are composed mostly of the high production item 2'' and smaller. If the percentage of imports were calculated on the basis of this category of sizes the percentage would be even higher.

Foreign producers concentrate on the size range of fittings which are mass produced. They do not adequately supply the user with odd sizes and patterns which because of lesser demand are made in small quantities. These service items builders must have and consequently the U.S. manufacturer must carry the burden of supplying them, often at disproportionately high cost.

Since U.S. producers cannot compete successfully in our domestic market with the labor cost advantages held by foreign producers, it is obvious that export markets have been far beyond our reach.

CAUSE OF INDUSTRY PLIGHT

Pursuant to provisions of the 1948 GATT Agreement, the tariff rate on malleable iron pipe fittings was reduced as of January 1, 1948 to 22½% from a previous 45% ad valorem. As a result imports rose from insignificant quantities to a percentage detrimental to the American market. At the Kennedy Round of GATT negotiations the tariff was again reduced to 11% ad valorem. This foreshadowing further injury to the American industry.

In spite of the industry's constant improvements in equipment and extensive use of mechanization, not less than 50% of the total cost content of malleable iron pipe fittings is labor or labor related costs. The high labor content is due to the inherent production processes required in manufacturing this product.

Notwithstanding domestic production efficiency it will be evident that the disparity in labor costs between domestic and foreign producers cannot be overcome.

The basic rate paid by U.S. domestic producers of malleable iron pipe fittings average approximately $2.90 per hour, plus fringe benefits which amount to over an additional 70 cents per hour.

SOURCE OF IMPORTS AND PRICES

Due to more modern facilities and to employee training, productivity in Japan compares favorably with that in the United States. Since 1956 over 95% of foreign imports came from Japan, according to figures compiled by the bureau of the Census. The Fittings are well distributed throughout the United States markets as they are imported through over twenty ports of entry surrounding the entire country; East Coast, West Coast, St. Lawrence and Great Lakes, Gulf Coast, Puerto Rico and Hawaii.

The average value per pound declared by importer at port of entry (C.I.F. prices) for Japanese malleable iron pipe fittings as taken from data available through the U.S. Customs Offices have been as follows:

Period:	*Japanese value per pound*	*Period:*	*Japanese value per pound*
1957	19.4	1963	19.1
1958	18.5	1964	18.5
1959	19.2	1965	19.3
1960	19.6	1966	19.5
1961	19.4	1967	20.1
1962	19.2		

After importers add distribution costs and profit margins these imported fittings can still be sold in the domestic market at prices far below prices realized by domestic producers.

Imports from the European Continent have not been significant as the so-called malleable iron pipe fitting produced there is to an entirely different specification from the U.S. fittings. On the other hand, as noted above, the Japanese fittings are the same as U.S. fittings.

REQUEST FOR ORDERLY FOREIGN TRADE LEGISLATION

It is respectfully urged that action presently be taken which would result in a healthy American market for malleable iron pipe fittings (USTS 610.7400 and 610.7000).

This request is based on the facts set forth in this Brief, which include the following:

(*a*) Fittings produced in Europe do not meet U.S. specifications, and U.S. fittings do not meet European specifications. Hence, any regulatory legislation would not create any disharmony between Europe and the United States.

(*b*) Nine domestic manufacturers have discontinued manufacture, liquidated their facilities, and laid off employees since 1952.

(*c*) The January 1, 1948 tariff rate on this product was reduced from 45% to 22½% ad valorem. It was further reduced to 11% ad valorem at the "Kennedy Round" of GATT negotiations.

(*d*) Since 1948 there has been a substantial increase in imports to the serious injury of the industry and its workers. These workers are the unskilled and semi-skilled who form the hard core unemployed.

(*e*) Since 1956 more than 95% of all imports have been from Japan, where the hourly labor rates are only 63¢ compared with $2.83 in the United States. In this industry 50% of the cost content is labor.

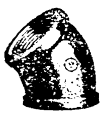
(*f*) An assured timely domestic source for malleable iron pipe fittings is vital to National Security. Each 1,000 square feet of construction put in place requires 20.2 pounds of malleable iron pipe fittings. During World War II this requirement increased to 78.7 pounds. Without a dependable source construction for shelter, sanitation, welfare and defense would be jeopardized.

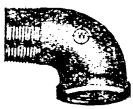
(*g*) Present domestic capacity is fully adequate to meet existing and future demands for this product.

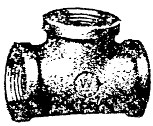
(*h*) Foreign trade must be mutually beneficial to the countries involved. Orderly marketing legislation will enable the United States to maintain a healthy malleable iron pipe fittings industry and at the same time allow others a share of our market which will not deprive American workmen of their jobs in favor of maintaining the jobs of foreign workers.

MALLEABLE CAST IRON PIPE FITTINGS


Malleable Elbow 90°


Malleable Elbow 45°


Malleable Street Elbow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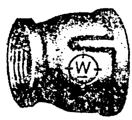
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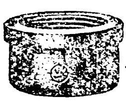
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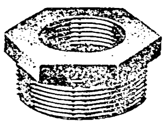
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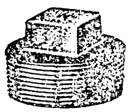
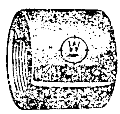

Plug


Malleable Coupling

PITTSBURGH, PA., *June 18, 1968.*

Hon. WILBUR D. MILLS,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: The purpose of this letter is to ask you to support legislation limiting the amount of foreign steel which can come into the United States.

I am a director, a Vice President, and the General Counsel of Jones & Laughlin Steel Corporation. It has become very clear over the past few years that Jones & Laughlin and other American steel companies are being seriously hurt by the greatly increased tonnages of foreign steel entering the United States. If some restrictions are not soon enacted, serious economic and national security problems will result.

While I, personally, tend to favor free trade, there are three factors in the steel situation which lead me to a contrary conclusion. The first is that a substantial part of the foreign steel coming into the United States is from facilities which have been built with money provided by American taxpayers. The second factor is that our Government has chosen to do little or nothing about the non-tariff barriers against American steel erected by countries like Japan which are exporting steel to the United States. The third factor is that the governments of some of the countries from which steel is being exported to the United States are subsidizing such exports.

I believe that it is in the best interests of all concerned in this country if S. 2537 or similar legislation is passed by The Congress. I ask your help to this end.

Respectfully,

W. PARKER SHARP.

UNIVERSITY OF PITTSBURGH,
DIVISION OF THE SOCIAL SCIENCES,
Pittsburgh, Pa., June 25, 1968.

Hon. WILBUR MILLS,
House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR SIR: I am sending you the enclosed reprint which I thought might be included in your hearings on Steel.

Thank you.

Sincerely,

REUBEN E. SLESINGER,
Associate Dean, Professor of Economics.

[From American Economic Review, March 1966, Journal of the American Economic Association]

STEEL IMPORTS AND VERTICAL OLIGOPOLY POWER: COMMENT

In the *American Economic Review* of September 1964 [1, pp. 626–55], Walter Adams and Joel Dirlam criticize the domestic steel industry on a number of counts—particularly regarding technology, production, pricing practices, vertical integration, and imports. This communication will be limited to an examination of the authors' contentions about steel industry technology. Although several other assertions of the authors justify a re-examination, space limitations are such that this communication will not be able to examine these in the detail necessary.

The authors contend that U.S. steel producers have lagged behind foreign producers in investing in technologically improved facilities and, further, that they have invested in obsolete equipment and that improvements have been adopted only when the industry has been forced to do so by the increasing pressure of foreign competition [1, pp. 626, 646]. To support their charges, the authors cite the examples of the oxygen furnace and the continuous-casting process.

Specifically, the authors state that during the 1950's, the U.S. steel industry bought 40 million tons of the wrong kind of capacity, namely the open-hearth furnace. They state that "Much of the U.S. industry's current investment in plant and equipment is calculated not to add to capacity, but to correct the embarrassing investment errors of the last decade" [1, p. 627].

Increases in open-hearth capacity in the steel industry are shown in Table 1.[1] Although there was a net increase in open-hearth capacity of nearly 40 million tons, only about 16¼ million tons were accounted for by the construction of *new* facilities during this period. Further, the steel companies built only 5.6 millions tons of *new* open hearths—not 40 million tons—during the portion of this period following 1953, when information about the oxygen furnace first became generally available to the industry. The remainder of the increase in capacity represented the results of improved utilization of *existing* facilities—an approach which the steel companies found to be economically more desirable than construction of completely new facilities.

The authors surely do not mean to imply that a fully integrated steel mill has complete control over the fluidity of its capital use. On the contrary, most of the capital becomes sunken and fixed once it is brought into being. The best that can be done in connection with technological changes is to attempt to keep the existing physical plant from becoming uneconomical to operate by making steady improvements and modernizations as these become technologically and financially feasible. It is only in the construction of new facilities that a firm has the option of using existing technology or new methods, even if the latter were operationally suitable at the time.[2]

TABLE 1—INCREASE IN OPEN-HEARTH STEELMAKING CAPACITY BETWEEN 1950 AND 1960

	Increases	Decreases	Net tonnage change in United States
Revision of ratings of existing furnaces [1]	31,569,060	2,561,600	29,007,460
New furnaces	16,250,760	----------	16,250,760
	47,819,820	2,561,000	45,258,220
Less: Old furnaces abandoned		5,621,080	5,621,080
Net increase			39,637,140

[1] Primarily due to the use of oxygen in existing furnaces, introduction of labor-saving equipment, and better refractories.

The authors assert that while the U.S. steel industry was emphasizing open hearths, the European and Japanese firms were instead installing oxygen furnaces at a "breakneck pace" [1, p. 627]. The record shows, however, that from 1953 to 1960 the U.S. producers increased their open-hearth capacity by only about 23 percent in contrast with an increase of about 79 percent for members of the European Coal and Steel Community and of approximately 169 percent for Japan.

The authors criticize the U.S. industry for being slow to adopt the oxygen process in spite of its alleged *widespread* use in Europe more than ten years ago [1, p. 647]. The oxygen process was first used commercially in Austria in 1952 on two 35-ton furnaces with an annual capacity of about 400,000 tons. In Europe, another shop was started in 1953, still another in 1956, one more in 1956, two more in 1957, four more in 1958, and two more in 1959. The total capacity of all these operations approximated 4,000,000 net tons. An additional five shops were started up in 1960, bringing the total oxygen-furnace capacity in Europe by 1960 to about 5.3 million net tons. These data obviously cannot be interpreted to mean that oxygen-furnace-produced steel was *widespread* in Europe ten years ago. In fact, as late as 1963, only about — percent of the steel produced in Europe was made by oxygen furnaces, this compares with about 7½ percent in the United States by 1963. By this measurement, U.S. producers were technologically ahead of—not behind—European producers.

To understand the rate of introduction of the oxygen furnace in the United States, it is necessary to examine both economic and engineering factors. The early oxygen furnaces used in Europe had insufficient capacity to meet the requirements of the large, integrated steel mills of the United States, where many of the open hearths were producing heats (i.e., "batches") of 300 to 500 tons.

[1] Based on American Iron and Steel Institute data.

[2] Subsequent discussion will indicate why such a choice was not present for much of the period.

Although it would have been possible for large, integrated U.S. mills to have constructed a number of small oxygen furnaces, there are two apparent reasons why it was not economically desirable for U.S. producers to do this. First, large producers undoubtedly determined that their large open-hearth furnaces were more efficient in producing large tonnages than a large number of small-capacity oxygen furnaces would be. This, of course, would not have precluded the very small U.S. producers from constructing small oxygen furnaces, since these producers did not have the same need for volume; generally, however, these *very small steel producers do not have blast furnaces*, which are a prerequisite to an oxygen steelmaking operation. A second reason by U.S. producers deferred making investments in oxygen furnaces is undoubtedly that they felt they could develop higher-capacity oxygen furnaces in the not-too-distant future and that such furnaces would be much more efficient than small-capacity furnaces, which were the only type that could have been built during this earlier time period. To make the oxygen furnace feasible for widespread use in the United States, a great deal of research and development first had to be undertaken; this was to come at a future date.

At present, some 300-ton oxygen furnaces are already in operation in the United States and others are being built, but the average-size oxygen furnace now in operation in the United States is about 140 tons. Until the large oxygen furnaces were developed, a number of companies adapted their large, modern open-hearth furnaces with oxygen lances and have operated them as efficient production units. In light of these facts, it seems quite apparent that there would have been little or no advantage to the major U.S. companies from oxygen furnaces, rather than continued use and improvement of the existing open hearths, during the years before the large oxygen furnaces were perfected.

The process of the introduction of the oxygen furnace is neither hit-or-miss nor one of massive replacement. Companies tend to replace the oldest and highest-cost open hearths first, and only replace those where capital could not be utilized more efficiently elsewhere. Now that 150- and 200-ton furnaces have been engineered, one company after another is building this type of capacity.

So long as steel produced by conventional methods can compete with that produced by newer technology, it would not be a wise economic decision to scrap the existing facilities and to destroy vast investments in fixed capital. It can be expected that newer technology will become more general as old facilities wear out and are scrapped. This is why it is unlikely that there will be any future purchase of *new* open-hearth capacity, but there will continue to be modifications, adaptations, and modernizations of such facilities so long as they are cost-competitive. Any decision that involves the contemplated scrapping of open hearths and their replacement by oxygen furnaces is carefully weighed against the alternative uses of funds.

Another aspect of technology that the authors discuss involves the use of continuous casting, a process made economically practical as a result of the oxygen furnace. Continuous casting at the present time involves an uninterrupted process of steelmaking and steel-forming of in-process shapes for future conversion. The authors again claim that the U.S. industry adopted the continuous-casting method slowly and only with great reluctance. But, once again, it is necessary to point out that the structure of steelmaking operations in the United States is very different from that in Europe, and that the size of the economical producing unit in the United States is much larger. Even in the United States, the mills that found it economical to adopt continuous-casting techniques at first were the smaller plants.

Although the authors do indicate that continuous casting abroad "began to move into high gear about eight years ago," they do not add that most of the 40 machines installed from 1955 to 1962 had very small capacities. Only 10 of the 40 had annual capacities in excess of 100,000 tons, and the largest was rated at about only 350,000 tons. This contrasts with modern blooming and slabbing mills (which they replace) in the United States that have annual capacities in excess of 3,000,000 tons.

Although it would have been possible for large, integrated U.S. producers to construct small continuous-casting units at an earlier date, such an approach would undoubtedly have resulted in higher unit costs. For the small producer, however, who could not produce the volume of steel necessary to make the operation of large-volume blooming, slabbing, and billet mills feasible, small capacity continuous-casting units were economical. Continuous casting was not installed by any large producers until a large-scale process was developed which would be more efficient than what the producer had at the moment, and until the return on such an investment was anticipated to be higher than any alternative use of funds.

In summary, with reference to technological advances, it is imperative to recognize that the introduction of new methods is not dictated solely by the availability of a new process. The very technological nature of the industry itself affects the wide use of newer methods, since early applications may be restricted to smaller producing units. It also is important to recognize that a basic factor affecting decisions about investments is consideration of alternative uses of money. There are many ways that a firm can spend funds for investment in plant and equipment. The key decision is to spend the monies where they will earn the best returns. With different rates of growth in demand in the United States, Europe, and Japan, the facility decisions necessarily must be different. With rapidly expanding demand, it is financially possible for a firm to install new capacity; without such growing demand, alteration of existing facilities frequently is a more economical move.

REUBEN E. SLESINGER.*

REFERENCE

1. Walter Adams and Joel B. Dirlam, "Steel Imports and Vertical Oligopoly Power" *Am. Econ. Rev.*, Sept. 1964, *54*, 626–55.

AMERICAN KOYO CORP.,
Cleveland, Ohio, July 9, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In the light of recent efforts by domestic manufacturers to impress upon the Congress the so-called dangers inherent in U.S. purchases abroad, we as importers of ball and roller bearings, wish to point out a couple of the pluses that accrue to the United States from our small operation alone.

1. We employ 57 people full time and provide part-time employment for half a dozen more.

2. In addition to paying Federal income tax, we pay the Bureau of Customs over $1 million annually in duties.

The credits we send to Japan for bearings are returned to the United States in the form of export business enjoyed by some of the same manufacturers who are concerned about imports. It seems quite reasonable to expect that if the current protectionist outcry is allowed to dominate the deliberations of the Committee, the United States will suffer economically and politically at home and abroad.

We urge you to try to sort out the emotional and the purely protective aspects of the proponents of trade restriction and to give full credit to the positive benefits acquired in dealing more freely with friendly countries around the world.

Very truly yours,

J. B. GRAY,
Corporate Services Manager.

BLACK & DECKER MANUFACTURING CO.,
Towson, Md., June 20, 1968.

Hon. WILBUR D. MILLS,
Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN MILLS: We are writing in reference to H.R. 17551, "Trade Expansion Act of 1968" and to the hearings on tariff and trade proposals now before the House Ways and Means Committee.

The Black & Decker Manufacturing Company is a multi-national company competing throughout the free world. Black & Decker's origins are firmly grounded in the free, competitive, risk enterprise society. We believe that given a proper economic climate in which to work and grow, there is no need for the

*The author is professor of economics at the University of Pittsburgh.

type of impediments to free trade that are implicit in import quotas and other trade restrictions. Despite the gap between wage rates in the United States and other countries, we think that American productive know-how and entrepreneurial skill should continue to enable us to compete favorably without inviting the type of retaliation against a wide variety of United States exports, that would certainly issue from friendly countries with whom we trade.

The American steel industry, among others, has requested protection in the form of import quotas. Our experience with domestic steel sources has been good in the areas of service and R&D support. Considering the introduction of so many new and varied materials from the world's research laboratories, the steel industry needs to keep constantly on the alert for new applications. This is quite important, for despite the unsettled conditions of the world, we need to have trade flexibility and yet maintain a viable domestic steel industry.

We believe that government imposed import restrictions would not produce results favorable to Black & Decker; however, to subsidize exports to those nations who subsidize their trade with the United States might be a more effective approach. A more suitable depreciation policy to encourage new investment along with investment tax credit improvements may also be a more effective form of government support than restraint of trade.

In conclusion, we agree that government needs to consider this very real problem but their response should not be in restraint of trade.

Sincerely,

ALONZO G. DECKER, JR.,
Chairman of the Board and President.

DAVIS WIRE CORP.,
Los Angeles, Calif., July 9, 1968.

Hon. WILBUR D. MILLS,
U.S. House of Representatives,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN MILLS: We are opposed to any steel import quota or duty. The question of duties and quotas on steel products is a very complex problem and will have an effect on many firms such as ours in this country.

It is, of course, extremely alarming to see the number of imports coming into this country and also the condition of our balance of payments. A blanket increase on duties or quotas on all steel products is certainly not the answer in the world market that exists today. We must live in a world market and we must do business in the world market. In order to do business we must be competitive, we must be efficient and must produce a quality product.

Th basic steel industry in this country is behind in quality and efficiency compared to mills in Germany, France, Japan, and Belgium. This, of course, is of great concern to us as a large user of steel in this country. The condition that our mills are in today has been basically brought about by three reasons:

1. Most of the management of our steel industry has been extremely lethargic until the last few years when they began to realize what was happening in the market place and are now beginning to makes sales and technological changes.

2. The unions, almost being sanctioned by our government, were able to obtain practically any demands they requested in their negotiations. The steel industry would do little to fight this situation because they felt they could immediately pass along any wage increases to the consumer, and, therefore, there was little thought given to the excessive demands that were asked by the unions five and six years ago. By granting these demands, it helped put this country in a non-competitive position in the steel industry. But, again, I must add that through better marketing philosophy and technological advances, we could have overcome this problem.

3. Instead of our steel industry and the government working together as is the case in most other countries, they have been diametrically opposed to each other and there has been no help as far as encouraging exports or working out the problems of imports.

We are the largest manufacturer of wire and wire products in the West and probably in the United States that is not a basic producer of steel. By basic producer I mean a company that melts their own steel. We are a converter who purchases hot rolled wire rod, which is a semi-finished steel product. We cold draw wire rod into many different sizes of wire which are made into other types of finished wire products. Most of the basic steel producers in our marketing area compete with us on the finished product. If we were to depend solely on domestic steel, the probabilities are that we would be forced to curtail our operation considerably or, even worse, be forced out of business because:

1. The domestic steel producers would raise the price of our raw material to the point that we would no longer be competitive or we would have to curtail our operation considerably in order to stay in the market, which was the case prior to 1955.
2. In our area there are not enough wire rods produced by the basic steel producers to supply the market.
3. Operating costs would increase due to the fact that the domestic rods available to us at the present time are not as high in quality as we can obtain from overseas.

I have enclosed a brief description of our operation. We were faced with serious import competition five years ago. We did not run to the government and ask for protection. We sat down and used the term I like to think of as "Yankee Ingenuity." We became more efficient and produced a better quality product and were able to compete with foreign competition.

I might conclude by saying that the steel industry, the labor unions, along with the government, should take a positive approach to this problem rather than the negative approach that has been taken. We should look at possible ways such as tax advantages and lower interest rates which would help us to compete with foreign imports domestically and also encourage exports. There are many other ways that this problem can be solved constructively, I am sure, rather than frantically trying to restrict imports through high tariffs or quotas—which the basic steel industry would like for us to do to protect their own selfish interest.

If, in this country, we are going to survive economically and continue to be leaders in the world, we must be competitive in the world market. We cannot build a fence around this nation by quotas and duties and expect to survive economically now or in the future.

Sincerely yours,

JAMES L. WALKER, *President.*

I. Description of our operation

A. Our firm uses hot rolled wire rods produced by integrated steel mills and cold draws these wire rods into various sizes, grades and qualities of finished steel wire.

B. We use approximately 25 different types and grades of wire rods which are based on the diameter and chemical composition depending upon the end use requirement of the wire or wire product.

C. There are approximately 38 different types of wire and wire products that we manufacture. These are broken down into seven different catagories:

1. Industrial and manufacturers wire.
2. Concrete reinforcing wire products.
3. Chain link fencing.
4. Building material products.
5. Merchant wire products.
6. Farm and agricultural products.
7. Florist and fine wire products.

D. Manufacturing locations

	Total number of employees
Los Angeles, Calif. (headquarters)	324
Hayward, Calif	52
Seattle, Wash	24
Total	400

E. Geographic area of sales.

California, Arizona, Nevada, Utah, Idaho, Oregon, Washington, Alaska, Hawaii, Montana, and Wyoming.

II. Importers who compete

Company:	Country represented
Kurt Orban	Europe and Japan.
Franco Steel	Europe.
Tricon	Europe.
Indussa Trading	Europe.
Amerlux	Europe.
Mitsui & Co	Japan.
Mitsubishi	Japan.
Ataka, Ltd	Japan.
Marubeni	Japan.
Kanematsu	Japan.
Nissho Pacific	Japan.
Sumitomo Shoji	Japan.
Mohns Commercial	Japan.
Toymenka Trading Co	Japan.
Overseas Trading Co	Japan.
C. Itoh & Co	Japan.
Balfour Guthrie	Europe and Japan.
Michael Chance & Associates	Japan.
Common Market Trading Co	Japan.
Pacific Products	Japan.
Winter Wolff & Co	Japan and Europe.
Joseph Grisay	Japan.
Rutt Steel	Japan.
Iwai Trading Co	Japan.
Standard International	Japan and Europe.
Gosho Trading Co	Japan.
Continental Steel	Japan and Europe.
Van Waters & Rogers	Japan and Europe.
Commercial Steel & Supply	Japan and Europe.

III. Domestic competitors

General Steel	Not integrated.
Edwards Wire Rope	Not integrated.
Southwest Wire	Not integrated.
Manufacturers Wire	Not integrated.
Industrial Wire Products	Not integrated.
North American Wire	Not integrated.
U.S. Steel	Integrated—Basic Steel Producer.
C.F. & I	Integrated—Basic Steel Producer.
Keystone Steel and Wire	Integrated—Basic Steel Producer.
Etiwanda Steel Producers	Integrated—Basic Steel Producer.
Bethlehem Steel	Integrated—Basic Steel Producer.
North Western Steel & Wire	Integrated—Basic Steel Producer.

IV. SOURCES OF RAW MATERIAL BY COUNTRY

Mill	Country	Quality	Mill	Country	Quality
Yawata Steel Co	Japan	Excellent.	Lorraine-Escaut	France	Average.
Sumitomo	do	Do.	Normandie	do	Poor.
Fuji	do	Average.	Cockerill Ougres	Belgium	Excellent.
Kobe	do	Poor.	Arbed	Luxembourg.	Do.
Broken Hills Proprietary	Australia	Excellent.	Krupp	Germany	Average.
Acindar	Argentina	Average.	Klockner	do	Excellent.
Germandi	do	Poor.	Niederheim	do	Average.
Iscor	South Africa.	Do.	U.S. Steel	United States.	Do.
Sidelor	France	Average.	C.F. & I	do	Do.
De Wendell	do	Excellent.	Bethlehem Steel	do	Poor.
La Chiers	do	Poor.			

V. Price comparisons

1. Rods—U.S.A. published price.

A. Industrial quality 5/16 and over, approximately $56.00/T over foreign.

B. Common Quality, 1/4, 7/32, 5/16, C–1008 only, approximately $16.00/T over foreign.

C. High Carbon, approximately $30.00/T over foreign.

VI. Wire and wire products prices

	Foreign price per ton	Competitive domestic price per ton
1. Bright basic wire in coils	$130.00	$146.00
2. Galvanized wire [1]	148.00	178.00
3. Welded fabric (6 by 6 10/10)	138.00	140.20
4. Baling wire	158.60	174.00
5. Vineyard wire	138.00	185.00
6. Spring wire	170.00	176.00
7. Bale ties	212.20	217.40
8. Florist wire	342.00	358.60
9. Black annealed wire	132.00–140.00	186.00

[1] 9 to 12 gage.

VII. The greatest problem facing us today

1. If restrictions or levies were to be imposed on hot rolled wire rods it would make it possible for the integrated steel producers who produce hot rolled wire rods, as well as wire and wire products, to effectively squeeze ourselves and other independent wire producers. The market price of wire rods could be increased substantially while finished wire and wire products would remain the same or, in some cases, be decreased to a point which might possibly force the non-integrated wire producers out of business.

2. The quality of the domestic rod available to us would have an effect on our overall cost of operation due to the fact that some foreign sources produce a higher quality of rod which results in a lower operating cost to us.

VIII. One solution to the impact that foreign steel has had on our economy might be as follows

1. To impose a levy or allocate imports on only finished steel products and maintain the same duty which now exists on semi-finished steel products which would require further processing and manufacturing in the United States to become a finished steel product.

2. If other countries continue to discriminate by charging higher duties and tariffs for our goods shipped into their country than we charge for their goods coming into this country and we cannot reach an agreeable settlement with that nation on tariffs, then we would have possibly two alternatives: (1) Increase the tariffs to the same level that they have on our goods (2) Through tax concessions or other means provide ways and means for American industry to offset these duties in order to compete in their market.

FIRTH CLEVELAND STEELS, INC.,
New York, N.Y., May 23, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
Longworth House Office Building, Washington, D.C.

DEAR CHAIRMAN MILLS: I am informed that the House Committee on Ways and Means will open hearings on June 4th in regard to import quotas.

I would like to go on record that we are opposed to any quota and or other restrictions which would obviously result in retaliation by our trading partners abroad.

Our country has for many years enjoyed a favorable trade balance and I am very much concerned that the result of any import quota would be to bring about drastic measures from abroad to reduce the current U.S.A. export business.

I am very much chagrined that both the business community and members of Congress fail to make a distinction between our foreign payment deficit and our foreign trade position. The foreign payment deficit is, of course, due to our heavy military commitments all over the world and the most recent figures I have seen show that at least one billion dollars of foreign currency is being "lost" because of our involvement in South Vietnam. It, therefore, follows that nothing would be achieved in bringing about a balance of foreign payments by imposing import quotas but more likely there would be a deterioration in the current position.

I should be glad if this letter will become part of the official record of your hearings.

Respectfully yours,

PETER H. GARFUNKEL,
Executive Vice President.

PRECISION DRAWN STEEL CO.,
Pennsauken, N.J., June 4, 1968.

Hon. WILBUR D. MILLS,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN MILLS: I would like to express to you my opinions regarding imported steel. Inasmuch as I am President of one of the largest independent converters of steel bars, I feel that our experience should be of interest to you. We purchase Hot Rolled Steel Bars and convert them into Cold Finished Steel Bars, as explained in the attached booklet. As recently as five years ago, we had no interest in importing steel; however, in the period 1957 through 1967, large domestic mills; such as, Republic Steel, Jones & Laughlin and United States Steel, who produce the Hot Rolled Steel Bars used for Cold Finished Bars, saw fit to keep he price spread which we operate at the same level in 1967 as it was in 1957. During this ten-year period, we were faced with annual rising cost of labor and supplies, so that it took 2½ sales dollars last year to make the same profit that one sales dollar made six years ago. What the big steel companies did was raise the Hot Rolled Bar price several times, as an example, $5.00 a ton, and also raised the Cold Finished price by the same $5.00 a ton, so, in effect, converters like ourselves paid $5.00 more for the product and sold it for the same $5.00 more, getting no additional spread to cover our rising costs. In effect, they saw fit to squeeze independents and satisfied themselves with a substantial profit on the Hot Rolled Bars.

A further example of the tactics used by big steel can be pointed out when last year we constructed a new plant in Biloxi, Mississippi, we attempted to get some freight rate help through the Southern Freight Association to give us competitive aid in the south, the above mentioned big steel companies protested the aid we asked for, put pressure upon the Southern Freight Association, and we were unable to get the freight relief we were seeking—this despite the fact that Congressman Colmer of Mississippi and Congressman Joe Evins of Tennessee intervened in our behalf with the Southern Freight Association.

Still another example—just now when the steel industry is booming and making more steel than ever, despite the so called imports, companies such as United States Steel have put allocations on certain products, restricting the tonnage we can buy from them.

A recent article in the New York Times about one of our competitors will explain what United States Steel is capable of doing at times like this.

When independents are left at the mercy of the big steel companies whose dual distribution efforts put us in a competitive disadvantage, we naturally are forced to seek relief wherever we can get it, and as a result we began to import steel. Definitely, in the past couple of years we have been importing more each year, since we still have not been given price relief from big steel.

In conclusion, I personally, feel that big steel, through its pricing and marketing practices, have caused foreign steel to come to this country and the problem could be rectified by big steel themselves, if they would see fit to provide independents like ourselves a reasonable price spread to work upon. I hope you will consider my comments here when your committee considers restrictions on imported steel.

Very truly yours,

L. G. BROWN, *President.*

Wire Manufacturer Defends Free Flow of Imported Steel

(By Robert A. Wright)

Without foreign steel, smaller United States manufacturers would not have been able to maintain full operations this year, according to one independent steel executive.

Norman M. Geller, vice president of the Republic Wire Corporation of Carteret, N.J., challenged in an interview the position of the American steel industry on imports.

Mr. Geller said the imposition of quotas on foreign steel such as is sought by the United States producers would be "quite injurious" to small manufacturers.

About two years ago, Mr. Geller said, his company, which fabricates wire from rolled steel rod, was told by the United States Steel Corporation that it would supply Republic Wire with rods at prices competitive with imports. Mr. Geller said United States Steel agreed to supply Republic with 700 to 800 tons of steel rod a month.

ALLOCATIONS NOTED

But, Mr. Geller said, when demand for steel soared this year, U.S. Steel began allocating its shipments to Republic Wire and steadily cut back the size of the shipment. "We were cut this month to 500 tons and are cut to 90 tons July 1," Mr. Geller said.

"They didn't treat us like customers. They looked to us as if we were enemies. When United States producers tell us they don't have supplies, there is very little we can do but turn to imports."

The sharp increase in steel demand so far this year was caused by a rush by steel users to build up inventories to assure themselves adequate supplies in the event of a steel strike later this year. Labor contracts for the major American steel producers expire August 1.

The flow of imported steel jumped dramatically to meet the clamor for supplies, rising 40 per cent from the 1967 level in the first three months of this year.

A similar import pattern has been established in each prestrike period since 1959 when the United States industry was struck for 119 days and imports made their first big dent in the American market. From less than 2 per cent of this nation's steel consumption in 1959, foreign steel rose last year to 12 per cent. Foreign steel producers held their new American market after each labor settlement.

Imports are expected to take up to 15 per cent of the nation's market this year, a level that the United States industry asserts threatens its future growth and the national security.

The American steel-producing industry contends that the import competition is unfair because foreign producers have sharply lower wage rates, are subsidized by their governments to export and are protected by tariffs and non-tariff trade barriers.

CHICAGO, ILL., *July 8, 1968.*

Hon. WILBUR D. MILLS,
Ways and Means Committee,
House of Representatives,
Washington, D.C.

DEAR MR. MILLS: I write as a concerned executive in the steel industry who recognizes, based on 23 years experience in dealing with steel imports and exports, that the imposition of a quota system or for that matter even an increase in tariff would do irreparable harm and injury to the economy of our country.

Clearly it would induce reciprocal restrictions by friendly countries with whom we engage in trade which can only lead to a diminution of our exports. Since our exports exceed our imports, and since it is in our national interest to accelerate rather than reduce the volume of our foreign trade, it is incredible to me that serious consideration is being given to restrictive legislation. We must learn from history. We cannot ignore our past experience in which legislation of a comparable restrictive nature contributed in large measure to a major financial crisis of world-wide proportions.

A quota system or an increase in tariffs would clearly negate progress made in the Kennedy-Round; it would assist in undoing price stability contributed to by the competition provided by imports; it would diminish rather than stimulate the need for scientific and technological progress in industry and commerce; it would—despite the current decline in employment in the steel industry and some other affected industries allegedly resulting from our present liberal policy—create a condition that would witness a much higher rate of unemployment in the United States that would affect all branches of industry and commerce; it would alienate our friends abroad and in the process give comfort to our enemies.

For all these reasons, I urge that you vote against any resolution that is designed to place restrictions on foreign trade.

Respectfully,

SOLBERT J. BARSY.

CHICAGO, ILL., *May 19, 1968.*

HONORABLE MEMBERS OF THE HOUSE WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D.C.

DEAR CONGRESSMEN: If you would permit me, I would like to present my views on the proposed Iron and Steel Orderly Trading Act.

There has always been a tendency for domestic producers to seek relief from competing imports. If this relief is put into law, a structure is established that is not easily modified when times change.

It may seem like a queer sort of comparison to mention cheese when steel is the question, but about 15 years ago Americans started buying more cheese from Denmark than ever before. Cheese imports, rose to a whopping three percent of American consumption, if I remember the figures correctly.

Wisconsin farmers protested to Congress and after a while cheese imports were limited to a base period before Americans started liking so much cheese in their diet.

What is happening now? Prices of cheese are so high some chain stores are dropping certain lines. There has been more than a 25% increase in some cheese prices in a year.

Both American and Danish farmers could be making a happy living supplying this market, but the limit on imports still stands on our books.

Who suffers most in this situation? The American Consumer? Perhaps also the very Wisconsin farmer who asked for the controls in the first place. American consumers become used to other foods in their diet as they stop buying high priced cheese.

Might not the steel producers take this example seriously? There are substitutes for steel (and incentives to find new ones) if too much interference in the supply sends the price too high.

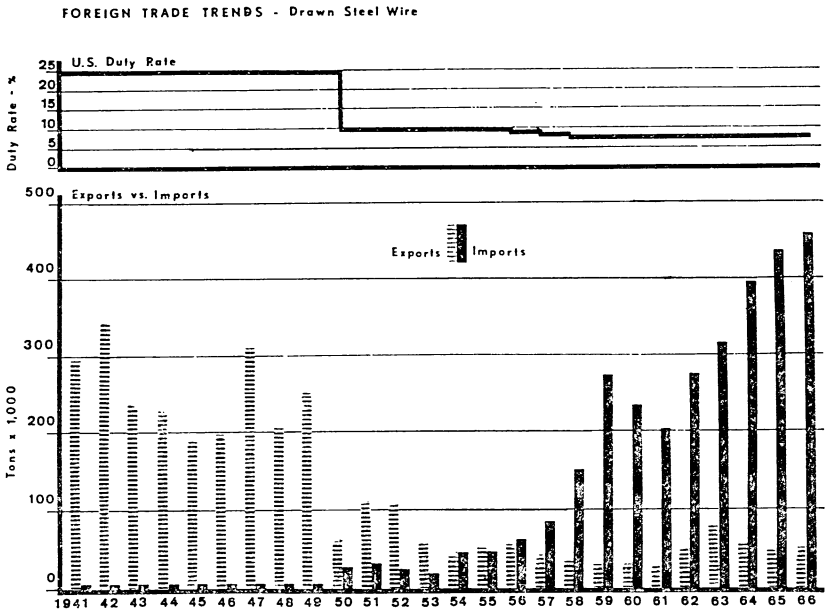
Yours sincerely,

MARGARET B. DRAY, *Economist.*

STATEMENT OF J. A. MOGLE, CHAIRMAN, FOREIGN TRADE COMMITTEE, FINE AND SPECIALTY WIRE MANUFACTURERS' ASSOCIATION

This statement is filed on behalf of the domestic producers of fine and specialty carbon steel wire through their trade association, the Fine and Specialty Wire Manufacturers' Association. This Association is composed of 17 member companies who account for more than 75% of the fine and specialty wire produced in the United States. Manufacturing facilities of these member companies are located in 16 states: Alabama, California, Colorado, Connecticut, Florida, Illinois, Indiana, Kentucky, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, and Texas. Our group should not be confused with "The Independent Wiredrawers Association," an entirely different trade association, whose problems and views do not necessarily coincide with ours.

We have requested the opportunity to address you during this hearing on "Foreign Trade and Tariffs" because of our concern about the effects on our industry of past U.S. Foreign Trade Policy. Despite a growing domestic market for our wire, we find ourselves producing an even smaller percentage of it. Best estimates are that in the last ten years our share of the American market has decreased from 98% to approximately 80%. Wire mills have been closed and almost all of our members have dropped certain items from their list of products because they could no longer compete in a market place where foreign competitors have unfair advantages. I say "unfair advantages" because they would be so considered under present American laws applying to domestic transactions.



Let us look at a graphic picture of what has happened to steel wire during the past quarter century. It has been necessary to use statistics covering the broad category of "drawn steel wire" since no data are available covering solely the fine and specialty wire field. These graphs were plotted using data from the publication "Foreign Trade Trends" by the American Iron and Steel Institute. Of necessiay, this graph was plotted without 1967 figures which were not available at the time it was drawn. The dotted bars show what has happened to the volume of American exports of this product. The solid bars show the very dramatic growth of imported wire.

Also plotted on this same graph is the United States tariff or rate of duty on wire valued at over 6¢ per lb. There are several tariff categories for steel wire, but this one would most fairly represent the bulk of fine and specialty wires about which we are concerned. Under the Tariff Act of 1930 the statutory rate was 25%. On April 30, 1950 the first General Agreement on Tariffs and Trade (GATT) reduced the rate to 10%. Three reductions of ½% each became effective later with the current 8½% rate starting June 30, 1958. No further reduction resulted from the recent Kennedy Round of negotiations, since the rate was already abnormally low.

In the year 1950, when the major drop in rate of duty first went into effect—even if only for 8 months—the tonnage of imported wire increased nearly six fold to a new all time high of nearly 26,000 tons. Interestingly enough, in that same year exports of wire decreased from 252,000 to 60,000 tons a drop of better than 4 to 1. It can hardly be coincidence that the decrease in duty, the decline in exports, and the jump in imports occurred simultaneously. Not only was the domestic American market being invaded, but what had been a thriving export business was being eroded by these same foreign producers who were not hobbled by high wages nor bound by antitrust laws, Fair Labor Standards Act, etc., which are an accepted part of doing business in the United States.

Now please direct your attention to the very startling developments during the last ten years. Exports of steel wire have remained practically stagnant since 1956 and in fact, were trending ever downward until some small spark was injected by A.I.D. programs in 1962–1963. However, even that small spark has apparently been extinguished as the last three years have been at the 1956 level.

The import line, however, shows a very dramatic and steady climb toward the top of the chart. The 1966 imports of steel wire were 750% of those in 1956—or specifically 458,000 tons compared with 61,000 tons a very substantial 40,000 ton per year increase. For 1967 we have just been given an estimate of 575,000 tons 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 ⅓ of ours in West Germany to ⅕ 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 ½ 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 8½%, 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 be much higher than the former price paid for imported wire—even from the U.S. Some of the Latin American countries engage in these practices.

We have yet another problem when we try to export wire. For some reason, the ocean freight rates on steel wire leaving the U.S. are higher than those on the same product coming into the U.S. For example, to ship one ton of tire bead wire from New York to London the rate is $39.00 per ton; from London to New York it is $29.75 per ton; from San Francisco to Tokyo the rate is $35.00 per ton; from Tokyo to San Francisco it is $25.75 per ton; from Philadelphia to Antwerp the rate is $31.50 per ton; and from Antwerp to Philadelphia it is $26.50 per ton.

It is difficult to believe that these rate differences can be related to actual cost differences. Yet they do exist and are just one more "unfair trade practice" that we must face.

Among yet other unfair advantages enjoyed by our overseas competitors is their lack of restriction under such American laws as the Fair Labor Standards Act. and various antitrust and anti-monopoly laws. Not only are they not bound by these, but those of our laws which do affect them, such as our anti-dumping regulations are inadequate and the intent of these laws is consistently violated by selling in America at prices lower than their own country. Since American industry is unable to satisfy the "damage" requirements of our law, dumping is not an unknown practice when it suits the foreign producers purpose.

Before closing, I should like to present some illustrative data on one particular fine and specialty wire item. Inasmuch as these figures will come from my own company's records—both here and abroad—I will not identify the item other than to say it is a fine wire item used in considerable volume and one for which estimated imports account for more than 15% of the total usage. The imported price on this wire is $20.00 per ton under our price—a position it has maintained through several price reductions which we have initiated in an effort to win back our customers. Our price reductions were made as we could improve our costs to make a lower price possible, but our foreign competitor, with generous assistance from his government, has always matched our efforts—keeping the differential the same. It so happens that we also produce and sell this wire through a foreign subsidiary in one of the countries exporting to the U.S. We thus know the local selling price in that country and could prove that a foreign producer (not our subsidiary) is dumping. However, we have not taken any anti-dumping action because of the "injury" portion of current anti-dumping laws. We cannot prove injury since our company is successful. (We are making every effort ot keep it that way so we can protect the jobs of our workers and the investments of our stockholders.) We would hope that it is not the intent of the Congress that a company or an industry must be unsuccessful before the unfair practice of dumping is to be considered illegal and stopped. Yet that is how the present law is working under current interpretations. We in the Fine and Specialty Wire Manufacturers' Association can only foresee that a continuation of past American foreign trade policies will further widen the gap between imports and exports in future years and will result in an ever weaker industry—an industry without which our nation cannot exist in the modern world.

We strongly urge that your Committee ignore the *unproven* threats of "massive retaliation" by other nations and take the leadership in providing the American worker and American industry with the opportunity for *fair trade* in the American market place. This can be accomplished by some means such as that suggested in a letter dated March 20, 1968 addressed to your committee by Mr. E. U. Lang, Chief Engineer of National-Standard Company. We understand that Mr. Lang is submitting a written statement to this hearing further detailing his "graduated tariff" idea. This may require more study and we therefore respectfully suggest the enactment of interim quotas or surcharges to existing tariffs. Legislation has already been introduced covering quotas on all steel products and these would include those made by members of this Association. Such a step can go a long way toward making possible the job opportunities so badly needed in many areas of this nation.

The CHAIRMAN. We now come to the category of lead and zinc. We have about 50 minutes of testimony.

Our first witness is Mr. Johnson.

Mr. Johnson, if you will identify yourself for our record, we will be glad to recognize you.

STATEMENT OF LINDSAY F. JOHNSON, LEAD-ZINC PRODUCERS COMMITTEE

Mr. JOHNSON. I am Lindsay Johnson, president of the New Jersey Zinc Co.

The CHAIRMAN. Where is that located?

Mr. JOHNSON. New York City.

The CHAIRMAN. If you have to omit any part of your statement, Mr. Johnson, in order to accommodate the committee, do so with the knowledge that the entire statement will appear in the record.

Mr. JOHNSON. Thank you, sir.

Mr. Chairman and members of the committee, I appear today on behalf of the Lead-Zinc Producers Committee.

My statement shows the percentage of production in this country represented by members of this committee, and they are identified in an attachment to the statement.

The membership of this committe is comprised of all of the major producers of lead and zinc in the United States, in both the mining and smelting segments of the industry. A list of these major producers is appended to this statement. In total they account for approximately the following percentages of current U.S. production:

	Percent
Zinc mine production	91
Lead mine production	87
Zinc metal production	85
Lead metal production	100

I submit, therefore, that in speaking for the Lead-Zinc Producers Committee, I speak for virtually the entire industry.

LEAD AND ZINC IMPORTS ARE A LONGSTANDING PROBLEM

I think it is important to remind the committee that the problem of this industry arising from uncontrolled imports is not a new one. It is not one that has recently and suddenly come upon us. It has been with us for the past 15 years, and during that time the basic facts underlying the problem have not changed, nor has the position of the industry changed. The industry has been diligent, persistent, and consistent in efforts to achieve recognition by the executive branch and the Congress that the problem is one of insidious reality and that a solution in the form of reasonable and fair import controls must be found if an erosion of an important natural resource industry within our borders is to be avoided. Since the early 1950s, representatives of the industry have appeared before the U.S. Tariff Commission on 12 occasions and before committees of the House of Representatives and of the Senate on some 20 occasions. I submit that this shows a sincere belief that in the national interest an enduring solution is needed, and that palliatives will not suffice.

POSITION ON PENDING LEGISLATION

My appearance accordingly is:

First, to urge and support legislation to provide a standby flexible quota program for lead and zinc, and

Second, to oppose the enactment of legislation that fails to recognize that reasonable import controls are necessary in the case of lead and zinc, and to reject proposals that carry the implication that no harm to the national interest will result from erosion and eventual disappearance of an industry dedicated to development of the nation's natural resources.

THE NEED FOR RESTRAINT OF IMPORTS

The United States is the world's largest single consuming market for lead and zinc. However, as far as U.S. producers are concerned, it is a one-way market, not only because the U.S. under any circumstance must be a substantial importer of lead and zinc, but also because mounting costs of production in the U.S. rule out any possibility of competitive exports. Foreign producers have access to and ability to sell in almost any consuming market in the free world, including the prime consuming U.S. market. U.S. producers are confined to the U.S. market.

The U.S. smelters of lead and zinc need to import substantial quantities of lead and zinc ores to meet their requirements beyond those available from mining in the United States. There is also room in the U.S. market for some quantity of imported lead and zinc metal. In the case of lead, required imports will run 30 to 35 percent of new lead required by U.S. consumption. In the case of zinc, required imports will run 45 to 50 percent of U.S. consumption.

Under any conditions, this is very substantial participation in our markets by foreign producers. The U.S. industry does not seek to reduce this degree of participation. It seeks only to limit it to about that level.

Foreign producers, however, sometimes want more, and, without restraints, invade the U.S. market at will by cutting prices. When the invasion is in excess of the already substantial needs, it forces prices below viable levels for U.S. producers, who are compelled to close down mines while foreign producers continue operations.

An invasion of this order occurred during the middle 1950's. Imports steadily increased, reaching an astounding and completely unjustified and intolerable 84 percent of U.S. consumption of both zinc and lead in the year 1958. The consequences to U.S. industry were grave. Prices declined, many U.S. mines were abandoned or idled, producers were compelled to build up unmanageable stocks triple those of normal working requirements, exploration and development programs were stopped or severely curtailed, and foreign producers were very much in control of the market.

During this period, the U.S. industry forecast the dire results of failure to take action that would stem the tide and preserve stability in the U.S. industry, and tried to prevail on the Government to take such action, but without success, until a near-calamitous situation had been reached and the damage had been done. Then, and only then, did the Government respond by the proclamation of quotas, which became effective October 1, 1958.

The quotas were fixed at approximately the level of our normal import needs, 520,960 tons of zinc, and 354,720 tons of lead annually. They were effective, but due to the conditions that prevailed when they were imposed, were slow to correct the situation. Normal conditions and stability in the U.S. industry were not achieved until 1964–65.

When that point was reached, the Government decided to terminate the quotas, effective October 22, 1965. In the face of known facts about rapidly increasing production in foreign countries, the industry made strong representations that the quotas be suspended, rather than finally terminated, but to no avail. The Government thus invited another invasion cycle, which actually commenced fairly promptly. The evidence is found in the import statistics. In 1964, when quotas were in effect, imports of zinc metal for consumption were 134,100 tons. In 1966, following termination of the quotas in October, 1965, the imports of zinc metal rose to 278,300 tons, an increase of over 100 percent. Likewise, imports of lead metal rose from 218,000 tons under quotas in 1964 to 364,000 tons in 1966, an increase of 67 percent.

EXPERIENCE WITH THE PREVIOUS QUOTAS

The experience of operating under the quotas, in effect from October 1, 1958, to October 22, 1965, has much to offer as a guide to the future.

Despite initial apprehensions of both domestic producers and countries exporting to the United States, it soon became evident that the quota plan was a workable instrument, and all concerned accommodated themselves to it, and there were no apparent disadvantages or hardships in any quarter to outweigh the advantage, actually to the free world industry as a whole, of accomplishing stability in the U.S. industry.

Albeit slowly, the quota plan did accomplish its purpose. Experience did reveal, however, certain deficiencies which prevented it being as fully effective and acceptable as it might otherwise have been, and as effective.

For example, the quotas were fixed quantitative ones, not only with respect to total, but with respect to specific country allocations. They were, therefore, inflexible, and could not readily be accommodated to changing circumstances, such as growth in consumption in the United States, and significant developments of expansion or contraction of available supplies in free world countries exporting to the United States.

Also, the quotas were confined to basic ores and metals, and this generated the so-called end run practice of circumventing the quotas by shifting exports to the United States to other zinc and lead derivatives and products not covered by the quotas. Zinc oxide, rolled zinc, and litharge are examples of products that should be included in any quota program, to prevent circumvention of the purpose for which quotas are established.

The proposals of the industry for a standby flexible quota program would cure these defects and provide an enduring solution with flexibility to meet changing circumstances.

PROPOSAL OF A STANDBY FLEXIBLE QUOTA

It is not my intention to discuss in detail the standby flexible quota program now proposed by the industry, but rather to state only the principles involved. In brief, these are as follows:

1. "Standby" means a quota that will be imposed only when it is needed, and only for so long as it is needed to maintain stability in the U.S. industry.

2. "Flexible" means a quota that will change quantitatively from time to time to meet changing circumstances within the United States with respect to consumption and outside the United States with respect to sources of supply.

3. Quotas will be "triggered on" when certain indicators of market conditions reach peril points which presage unreasonable impact unless imports are restricted until conditions change.

4. Quotas will be "triggered off" when there has been sufficient recession from those peril points.

5. There will be a reasonable minimum time that quotas will remain in effect, once imposed, and likewise a reasonable minimum interval between suspension of a quota and re-imposition at a later date.

6. Basic minimum quotas will be established initially related to current U.S. consumption, with provision for proportionate increase of the minima as U.S. consumption increases.

7. Initial allocation of quotas to major exporting countries will be made on experience during a suitable base period, and provision will be made for a periodic adjustment of country allocations by a suitable Government agency.

8. The intitial quotas quantitatively will be of approximately the same order as those under the original quota that was terminated in 1965, with due regard to current conditions.

Were such a quota program to be adopted in the near future, there would be no imposition of quotas forthwith, because the indicators of market conditions that will be proposed are not yet close to the peril points.

However, the inauguration of the program would have the immediate effect of a more pious look at the U.S. market scene by exporters to this country.

An approach toward peril points is quite easily predictable, and it is believed that a standby quota will generate considerable voluntary restraint to avoid the imposition of quotas.

Were such not the case, the imposition of quotas eventually would be the means of necessary restraint. In any case, imports would be reduced from current levels.

There is now pending before this committee a bill, H.R. 51. This bill, introduced by your esteemed colleague, the Honorable Wayne Aspinall, with appropriate amendment, will establish a standby flexible quota program such as I have described in principle. This program can be of such balanced detail that by reason of the stability that will result, it will be of ultimate long-range benefit to all concerned, the U.S. industry, the exporters to the United States, and the U.S. consumers. It will also promote the national interest by reason of strengthening and encouraging continued development of important natural resources in the United States.

We respectfully urge the committee to dedicate itself to a searching examination of our proposals at an early and more appropriate occasion, when time for detail will be more available than it is now, a circumstance we understand and respect.

BALANCE OF PAYMENTS

Not insignificant in current considerations is the probable effect of the proposed program on the U.S. balance-of-payments problem.

Under the proposed standby flexible quota program, imports inevitably would be reduced voluntarily or under quota. It is not possible to project the full degree of voluntary restraint on imports that would be generated by a standby quota, but it is certain that imports would have to trend downward toward quota levels or reach them.

A summary appended to this statement shows the approximate reduction in imports and the degree to which major exporting countries would be affected, on the assumption that imports of zinc and lead would be at the proposed quota levels.

The balance-of-payments gain could eventually be in the order of some $83 million annually.

It is significant that the impact does not fall heavily on any major exporting country, but is fairly evenly spread.

CONSEQUENCES OF FAILURE TO PROVIDE FOR RESTRAINT OF IMPORTS

The U.S. zinc and lead industries are approaching another crisis similar to the one encountered in 1957–58, when the last big influx of foreign material broke our market and forced the closure of many mines, and operation of others on an unprofitable basis.

At this time the situation is more serious, because the industry is now beset with burgeoning expansion of mining and smelting facilities in foreign countries, with much of it avowedly aimed at capitalizing on the U.S. market, which, without restraints, is increasingly at their disposal. They have shown their hand since quotas were terminated.

Unless there is action to arrest the trend, which is history repeating itself, the following consequences must be forecast.

Imports will continue to increase. Expansion of mining and smelting facilities abroad, either in being or projected, presage surpluses over the next several years, a forecast that is universally accepted.

As in the past, the target for moving surplus production in foreign countries will be the U.S. market. Foreign producers will invade this market by lowering prices, as they have done before, and are now doing, to levels that are not economic for U.S. mines.

Many U.S. mines will be forced to close down or curtail operations to make room for foreign material, and U.S. smelters will be faced with the choice of accumulating unmanageable stocks or severe cutback in production.

The last time all this occurred, the result was knocking down U.S. mine production of zinc to 412,000 tons in 1958 from a level of 600,000 tons attained in earlier years. Lead mine production was cut down to below 250,000 tons from previous levels of about 400,000 tons. Producers were forced to accumulate stocks greatly in excess of normal working stocks.

Complete calamity was avoided only by the imposition of quotas in 1958.

All of this could happen again, and probably with more impact, because U.S. mines, in an industry where labor costs run as high as 60 percent of total costs, have since had to assume tremendous increases in labor costs, and there seems to be no end to them.

Lack of stabilization will discourage exploration for and development of new reserves in the United States, and the Nation will be well down the road to further dependence on foreign sources for materials that are important to its economy.

Loss of employment will occur. We will be exporting jobs.

There will be no prospect of orderly and easy liquidation of Government stockpiles.

As imports increase, there will be an increasingly negative effect on our balance of payments.

Failure to control imports at this time will amount to notice to foreign producers that our markets are wide open to them, even at the expense of erosion of our own mining industry.

The Lead-Zinc Producers Committee respectfully urges this committee.

(*a*) Not to support legislative provisions that will preclude consideration and enactment of specific legislation of the type we are proposing, to deal with specific and unique problems;

(*b*) Not to support any assertion that such specific problems can be dealt with effectively by the "adjustment assistance" or "escape clause" procedures, routes that have proven to be but palliatives on paper in the past; and

(*c*) To schedule hearings at the earliest date convenient to the committee to afford the lead-zinc industry an opportunity to support in detail a searching examination of a standby flexible quota for lead and zinc.

Thank you.

The CHAIRMAN. Thank you, Mr. Johnson.

Without objection, the material appended to your statement will appear at this point in the record.

(The material referred to follows:)

APPENDIX I

MAJOR PRODUCERS REPRESENTED BY THE LEAD-ZINC PRODUCERS COMMITTEE

American Smelting and Refining Company.
American Zinc Company.
Anaconda Company, The
Bunker Hill Company, The
Eagle-Picher Industries, Inc.
National Zinc Company.
New Jersey Zinc Company.
St. Joseph Lead Company.
U.S. Smelting Refining and Mining Company.

ASSOCIATIONS

Arizona Small Mines Operators Association.
Citizens Committee for Stabilization—Lead-Zinc Industry.
Colorado Mining Association.
Idaho Mining Association.
Montana Mining Association.
Nevada Mining Association.

New Mexico Mining Association.
Northwest Mining Association.
Southwestern Montana Mining Association.
Utah Mining Association.
Wisconsin, Illinois & Iowa Lead and Zinc Producers Association.

APPENDIX II

PROBABLE REDUCTION OF IMPORTS FROM 1967 LEVELS

Country	1967 imports for consumption		Probable imports under quota		Decrease in import value	
	Tons	Dollars[1]	Tons	Dollars[1]	Dollars[1]	
Zinc:						
Canada	354,400	$54,200,000	279,500	$40,800,000	$13,400,000	
Mexico	102,400	15,100,000	81,000	10,000,000	5,100,000	
Peru	78,900	14,200,000	60,000	9,500,000	4,700,000	
Japan	41,600	10,600,000	16,000	4,000,000	6,600,000	
All other	74,600	15,500,000	53,500	12,300,000	3,200,000	
Subtotal, zinc	651,900	109,600,000	490,000	76,600,000	33,000,000	
Total reduction in zinc imports						$33,000,000
Lead:						
Canada	70,700	18,300,000	66,000	17,100,000	1,200,000	
Mexico	57,700	14,900,000	25,000	6,500,000	8,400,000	
Peru	110,700	28,600,000	70,000	18,100,000	10,500,000	
Australia	87,100	22,600,000	68,000	17,500,000	5,100,000	
West Germany	49,000	12,700,000	12,000	3,100,000	9,600,000	
All other	120,200	31,100,000	59,000	15,300,000	15,800,000	
Subtotal, lead	495,500	128,200,000	300,000	77,600,000	50,600,000	
Total reduction in lead imports						50,600,000
Total benefit to balance of payments, zinc and lead						83,600,000

Summary of Reduction of Imports by Countires, Zinc and Lead

	Probable reduction of imports, dollars[1]
Canada	$14,600,000
Mexico	13,500,000
Peru	15,200,000
Japan	6,600,000
Australia	5,100,000
West Germany	9,600,000
All other[2]	19,000,000
Total	83,600,000

[1] Estimated value before custom duties at present price levels of 13.5 cents for zinc 14.0 cents for lead.
[2] Countries in this category are principally: Algeria, Belgium, Bolivia, France, Honduras, Poland, Republic of South Africa, United Kingdom, and Yugoslavia.

The CHAIRMAN. Are there any questions of Mr. Johnson?
Mr. Curtis.

Mr. CURTIS. Has the industry in the past ever gone the national security route, through OEP?

Mr. JOHNSON. Mr. Curtis, we have not gone that route, as such, for this reason: that I would think on at least a dozen occasions in the past 3 or 4 years, the OEP and Defense Department have all declared lead and zinc non-essential to national security, in connection with other legislation.

Mr. CURTIS. And yet, aren't our stockpiles based on the assumption that it is essential for military reasons to have lead and zinc?

Mr. JOHNSON. Mr. Curtis, you are hitting a very tender spot with me, now.

Mr. CURTIS. All right.

Mr. JOHNSON. As of now, there are in the stockpiles about 1,200,000 tons of both lead and zinc in the form of metal. At one time there was as much as one and a half million tons.

That was there for the reason that some years ago the quantity we required in the stockpiles to meet objectives was set at one and a half million tons. Today the objective is zero. The whole 1,200,000 tons of each of these metals is declared surplus.

Mr. CURTIS. Was that done by Executive order?

Mr. JOHNSON. This was done by whatever committee it is that decides from time to time that the stockpile objectives should be changed, and as a matter of record, if we go back over the history of stockpile objectives for those two metals, they changed some 38 times over a period of several years, up, down, but finally they got to nothing. That was about 2 years ago.

Mr. CURTIS. I won't explore it here, but I want to get more information on this situation because in fact stockpiles, as I understood it, were set up by law for defense reasons, for security reasons. If stockpile policies are improperly used, they could actually have an economic impact on any industry.

I remember a couple of year ago I felt that the use of the copper stockpile was a misuse: that is, it was done not for military reasons but for economic reasons.

The economic reasons, in my opinion, are sound, but I thought we had prohibited the Executive from using stockpiles for that purpose.

Am I in error in thinking that the lead and zinc stockpiles were originally for strategic military reasons?

Mr. JOHNSON. They were so created, and they are under the control of the Congress.

There is something they talk about over there, called methodology, which is something they use for determining whether we need any lead or any zinc, or we need a lot, or we don't need any.

I don't understand this methodology, because it is difficult for me to understand in the case of products which are used extensively in material that is now being used in Vietnam, for example, how we don't need any of this in the event of an emergency.

Of course, the industry doesn't agree with this determination of a zero objective.

Mr. CURTIS. This makes it a little complicated, or could make it complicated, in respect to these quotas, too, because stockpiles are a third source of where the metal could be coming from onto the market.

Mr. JOHNSON. This is very true, sir. This does create a complication.

There are further complications throughout the stock pile, particularly of zinc, for example. There have been a lot of changes in the requirements for quality since this material was put in the stockpile, and much of the material in the case of zinc in the stockpile is not suitable for normal commercial uses, these days, and something will have to be done to it.

If something is done to it to make it commercially usable, the industry is going to have to do it, because they are the only people who have the equipment.

The industry has told GSA and the executive branch that under proper circumstances, they certainly would be willing to cooperate in so doing, but you can easily see, sir, that if the industry gets into a situation in which it obligates itself, let us say, to help liquidate the stockpile over an extended period of time, it certainly would have to have some form of protection to enable it to do this.

So that it is a dual problem. It is a problem of the Government, and it is a problem of industry.

Mr. CURTIS. Just briefly. I have one other question.

Does the industry run into a problem of unfair competition in the sense that foreign governments subsidize their mining in this area for export?

Mr. JOHNSON. There are some such things, but I don't think that we take the view, Mr. Curtis, that this is a serious thing.

Mr. CURTIS. Is it essentially wage differential?

Mr. JOHNSON. Essentially, it is a fact that perhaps outside the United States we may find slightly better ore deposits.

The main thing, though, is the cost of producing it.

Mr. CURTIS. Which is mainly wages, is it?

Mr. JOHNSON. Mainly wages.

You can see many mines here, as I pointed out, where the wages run as high as 60 percent of cost. It depends on the method of mining that one uses, but this is a very important factor, and when you have that much going into direct wages, you have got a problem. That is where the big difference is.

Mr. CURTIS. I certainly appreciate your testimony very much.

Mr. JOHNSON. Thank you, sir.

Mr. SCHNEEBELI. Mr. Chairman.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Johnson, you said the Government established a quota effective October 1958. Under what authority was that done?

Mr. JOHNSON. This was an executive proclamation.

Mr. SCHNEEBELI. Under what authority? Do you know?

Mr. JOHNSON. I have the number here, somewhere. 1958.

Mr. SCHNEEBELI. Basically, my question is, if the U.S. Government can establish a quota for lead and zinc like this, why can't they do the same for steel and a lot of other commodities, and is this not in contravention of the GATT?

Mr. JOHNSON. I would think it was at the time.

I am trying to find this executive order number. It was 10,000—something.

Does anybody back here know the number?

Mr. SCHNEEBELI. If you could furnish that information, we don't want to hold you up.

I am wondering how, suddenly, they can establish a quota without specific congressional action.

Mr. JOHNSON. I will send you a copy of the executive order.

(The following material was received by the committee:)

FACTORS PRECEDING PRESIDENTIAL PROCLAMATION NO. 3257—SEPTEMBER 22, 1958

Following World War II, metal prices were at or above present levels, but in early 1950 dropped to uneconomic levels. At that time, the lead industry filed an escape clause action with the Tariff Commission requesting that the 1939 duty reduction of 50% on lead imports be canceled and the statutory rates of 1930 be restablished. This application coincided with the cancellation of a Mexican Trade Treaty, containing the escape clause provision. Following abrogation of the Treaty, 1930 duty rates on lead were restored. Five months later, June 1951, tariffs on both lead and zinc were reduced 50% and 60%, respectively, at the Torquay trade negotiations and have remained at these levels.

The Korean War changed the economic situation but only for a short period. As market prices dropped following Korea, the lead-zinc industry filed its first escape clause action under provisions of Section 7 of the Trade Agreements Extension Act of 1951 on September 14, 1953. Hearings were held during November of 1953. On May 21, 1954, the Commission made a *unanimous* finding (Escape Clause Investigation No. 27) that serious injury was resulting from excessive imports and five Commissioners recommended maximum permissible increase in duties (Pig Lead—2.55¢ per pound: Slab Zinc—2.10¢ per pound). Concurrent with this 1953–1954 "escape clause" action, by resolution of the Senate Finance Committee (July 27, 1953) and the House Ways and Means Committee (July 29, 1953), the Commission also conducted a "general investigation" in accordance with the provisions of Section 332 of the Tariff Act of 1930. This was transmitted to the Committees concerned on April 19, 1954 and is a 256 page volume with a detailed analysis of the economic conditions and pertinent statistics concerning the lead-zinc industry of the United States.

On August 20, 1954 President Eisenhower advised the Committee on Ways and Means and the Committee on Finance that he would not implement the unamimous recommendations of the Tariff Commission in their May 1954 report. The President cited as one of the reasons for not implementing the Commission's findings, that the maximum permissible increase in duty was insufficient to "reopen closed mines" and would have only a minor effect on U.S. prices. In lieu of accepting the Commission's recommendations the President instituted increased defense stockpile purchases of these two metals and subsequently initiated barter. The President further stated that he was directing the Secretary of State to seek recognition by foreign countries, who were principal importers, that they would not take any "unfair advantage" of his alternative programs. However, the record now shows that imports for consumption did not decline and, in fact, increased following the President's letter:

	Short tons
1950–54 average yearly imports of lead ore and metal	455, 916
1958 total of lead ore and metal imports	589, 800
1950–54 average yearly imports of zinc ore and metal	530, 548
1958 total of zinc ore and metal imports	723, 392

In a series of regulations issued May 28, 1957, the Department of Agriculture essentially stopped all bartering in lead and zinc, which was the major alternate stabilization program instituted by the President. The Office of Defense Mobilization announced that April 1958 was the last month it would purchase zinc, and lead buying was scheduled to be stopped at the end of June of 1958. Prices for both metals decreased 3¢ per pound in 1957.

The President had stated that if stockpile action in lieu of accepting the Tariff Commission's proposal did not accomplish the objectives he sought, he would be prepared "to consider even more far-reaching measures." In June 1957 the Executive Department proposed legislation for suspension of duties and substitution of excise taxes whenever the market for the two metals was below "peril point" levels (lead—17¢ per pound; zinc—14.5¢ per pound). Following a hearing on this legislation in the House of Representatives, the President was advised by the Chairman of the Ways and Means Committee that Congressional action was not appropriate since the President had authority to act under provisions of the escape clause and National Security amendment. The President then indicated that: "It is my understanding the industry will file an escape clause action if the Congress does not pass the requested legislation."

On September 27, 1957 the industry filed a second escape clause petition with the Tariff Commission requesting increased duties and import quotas. On April 24, 1958 the Tariff Commission again *unanimously* found (Escape Clause Investigation No. 65) that the domestic lead-zinc industry was suffering serious import injury. Three Commissioners recommended the maximum increase in duty (50% above the 1945 rates: Pig Lead—2.55¢ per pound: Slab Zinc 2.10¢ per pound) *and* also recommended the imposition of absolute quotas, based on 50% of imports during the period 1953–1957. The other three Commissioners recommended a return to the 1930 duty rates (Pig Lead—2.125¢ per pound; Slab Zinc—

1.75¢ per pound). At the conclusion of the 60-day period, as provided in the Trade Agreements Act, the President advised the Chairman of the Senate Finance Committee that he was "suspending consideration" of the Commission's recommendations. The President further stated that a final decision would be appropriate after the Congress had completed its consideration of a "minerals stabilization plan" submitted by the Executive Department and introduced in the Senate as S.4036. This legislation passed the Senate but failed to pass in the House as Congress adjourned in August 1958.

The President was faced with a final decision and issued Proclamation No. 3257 on September 22, 1958 establishing absolute quota restrictions on imports for consumption of unmanufactured lead and zinc, effective October 1, 1958. However, the quota amounts were set at 80%, rather than the recommended 50%, of the average annual commercial imports for the base period, much more generous to the importer than recommended by the Tariff Commission. There was no change in basic tariff rates and no provision for quota control of manufactured items. The annual quotas established limits for imports of ore and metal combined as follows: lead—354,720 tons and zinc—520,960 tons.

By the time the President took this action, the damage had been done. The quotas were too little and too late. In 1957 the industry had been flooded with unneeded imports. Producers' stocks were at all time highs and market prices were at low, uneconomic levels; domestic mines closed and employment and production dropped and there was no sizeable increase in consumption of these two metals to offset the effects of the imports. The quotas did not equate metal supply with demand.

EVENTS DURING THE PERIOD OF PROCLAMATION NO. 3257

Despite the quotas, imposed as a temporary palliative, the industry did not consider it good business to reopen some domestic mines, particularly in the Western States. Metal prices had improved slightly following the quota proclamation but dropped again in early 1959. U.S. mine production of lead and zinc has not, to date, been fully restored to the level prevailing before the enforced drastic curtailment in 1957

In 1963 domestic consumption of lead and zinc began to increase. Since that time, consumption of lead and zinc has increased 12 and 27 percent, respectively. There has been a similar increase in foreign consumption. This gradual increase in consumption brought about a similar decrease in domestic producers' metal stocks. As stocks approached normal levels, market prices strengthened providing profitable operations and encouraged exploration for and development of new sources of supply. By mid-1964, demand was exceeding supply. Mines that had been closed were reopening and interest was renewed in finding new orebodies, but this process was too slow to meet immediate requirements. In addition, some countries reduced their imports below quota levels as their own consumption requirements increased. Other countries with supplies available were limited to a maximum import tonnage by the absolute quota system. A combination of the necessary "lead-time" to activate domestic mining and smelting operations and the limitations of an inflexible, absolute quota proclamation, produced a metal shortage for both lead and zinc in the United States. Immediate action was required to increase metal supplies. In mid-1964, the domestic lead-zinc producers joined with the consumers in sponsoring legislation for release of 50,000 short tons of lead and 75,000 short tons of zinc from the National Stockpile. These quantities were easily assimilated in our expanding markets. A second release of 150,000 short tons of lead and 150,000 short tons of zinc was authorized in April 1965. A third zinc release of 200,000 short tons was authorized in November 1965; however, at this time the General Services Administration, as the representative of the Executive Department, was advised by the domestic producers that the domestic and world supply for zinc metal was improving and urged caution in authorizing stockpile releases that might cause market disruption. Stockpile sales were a necessary part of the domestic metal supply in 1964 and 1965, as rising consumption moved ahead of the "lead-time" required to get new production on stream and the inflexible nature of the Quota Proclamation did not allow for increased imports to help meet increased demands.

The absolute quotas were not an effective instrument to meet the problems of the mining and smelting industries or of the consumers of lead and zinc in the

United States. They were set too high to effectively and expeditiously correct the situation that called for their imposition in 1958, at a time when metal stocks were at extraordinarily high levels and metal prices were too low for profitable mine operation. Being of fixed quantity, they guaranteed to foreign producers a fixed quantitative particiaption in the United States market, regardless of the level of consumption, thus putting the entire burden of adjustment during low cycles of domestic consumption on the U.S. mines. Further, being of fixed quantity, they had no flexibility to meet changing levels of consumption, and under some conditions such as those prevailing in 1964 and 1965 they approached the point of being too low. The underlying conditions that caused the 1956–1957 debacle have not changed and in the absence of adequate and effective import controls will continue as a threat to the stability of the United States mining and smelting industry. The strong trend to treatment of ores in countries of origin, with a view to selling the metal products in the United States, has widened the threat to the stability of the lead-zinc smelting industry in the United States, and even to the continued existence of some segments of it. Mines are not a spigot that can be turned on and off at will as supplies are required. Some assurance of a portion of the domestic market is needed to stimulate time consuming exploration and development. From experience under the Presidential Quota Proclamation, the domestic lead-zinc industry has stressed that any quota limitations on lead and zinc be of a flexible nature.

EVENTS LEADING TO TERMINATION OF THE PRESIDENTIAL QUOTA PROCLAMATION

Section 351(d) of the Trade Expansion Act of 1962 requires an annual review of any industry operating under import restrictions pursuant to action authorized by an escape clause finding of the Trade Agreements Extension Act of 1951. This type of action was the basis for the lead-zinc import quota plan. A report under this authorization was sent to the President on October 1, 1963 and referred to the Office of the Special Representative for Trade Negotiations. The Trade Expansion Act provides further that the President may ask for Tariff Commission advice of probable economic effects to an industry by the reduction or termination of an import restriction. Apparently, in view of improving conditions with the industry the Office of the Special Representative for Trade Negotiations recommended a full scale review of the industry. The President ordered such a hearing in March 1964. This was held in June 1964, and the report issued in June 1965. The Commission reported to the President that termination of quotas on unmanufactured lead and zinc "would not likely have a detrimental effect on domestic lead and zinc producers unless world demand for these metals should subside substantially in relation to world supplies." The report to the President was referred back to the Office of the Special Representative for Trade Negotiations for study and recommendations. This study was made through an interagency committee, principally representatives from Departments of Interior (Chairman), Commerce, State, Labor and Treasury. Representatives of the domestic industry stated their position to these Departments and the Counsel to the President as follows:

1. No precipitous action should be taken to change the present quota system until the effect of stockpile releases and the effects of the worldwide build-up of production, on domestic and world markets could be evaluated.
2. The logical adjustment to solve inequities of the absolute quota proclamation was substitution of provisions of a flexible quota bill. Friends of the industry in Congress agreed with this position and so advised the President.

However, effective October 22, 1965, the President terminated the Quota Proclamation on entry of lead and zinc ores and concentrates and 30 days later on the entry of lead and zinc metal.

The President terminated the quota with no provision for a continuing lead-zinc minerals policy. He did refer the industry to the Tariff Commission for any needed future relief and urged the Commission to expedite its procedures and proceedings. This avenue of "help" has been thoroughly explored in 20 cases, including one from the lead-zinc industry, all with negative results. The provisions of the Trade Expansion Act of 1962 eliminate any practical possibility of the Commission being able to come up with a finding of injury to the industry due to excessive imports.

[Release From James C. Hagerty, Press Secretary to the President, Sept. 22, 1958]

U.S. NAVAL BASE

NEWPORT, R.I.

The President today agreed with the unanimous finding of the United States Tariff Commission that escape clause relief is warranted in the case of lead and zinc. To provide an appropriate and immediate remedy, the President issued a Proclamation limiting imports by an annual quota equivalent in amount to eighty percent of average annual commercial imports during the five-year period, 1953–57. The quota is allocated among exporting countries and subdivided by calendar quarters and by tariff schedule classifications.

In identical letters to the chairman of the Senate Finance and House Ways and Means Committees, the President recognized that the imposition of quotas is an unusual step, but it is better suited than a tariff increase to the unique circumstances of the case and more likely to lead to enduring solutions beneficial to the entire lead and zinc industry. He agreed with the Tariff Commission with respect to the distressed condition of domestic producers and pointed out that the proclaimed import limitation, which represented an equitable approach to a world-wide problem, should be of real benefit to the lead and zinc industry. As our economy moves upward, he pointed out, that benefit should increase.

The President's letter also emphasized the importance to friendly countries of their exports to us, the world-wide nature of the present condition of lead and zinc overproduction, and the need for sharing the burdens of this problem. The United States has been discussing this problem with other countries and the President is hopeful that mutually acceptable solutions can be found.

Meanwhile, today's Proclamation provides immediate relief for this problem which the President has several times set before the Congress. In 1957 the Administration presented a long-range minerals program, but it was not enacted. During the past legislative session, the Administration proposed a Domestic Minerals Stabilization Plan which would have assisted not only the lead and zinc industry, but also domestic producers of copper, acid-grade fluorspar, and tungsten. In suspending action on the Tariff Commission report last June, the President stressed the problems and urgent needs of domestic minerals producers. Today's letter noted that the Congress did not enact that plan for promoting a healthy and vigorous mining industry.

The Proclamation of today was issued pursuant to Section 7 of the Trade Agreements Extension Act of 1951, as amended. That provision authorizes import restrictions to remedy serious injury or the threat of serious injury as determined by the United States Tariff Commission. The Commission reported its unanimous finding of injury on April 24, 1958. The report contained alternative remedial recommendations. Three Commissioners proposed a restoration of the tariff rates provided in the Tariff Act of 1930. The remaining three Commissioners favored a larger tariff increase together with quantitative limitations. Copies of that report are available at the Commission.

The Texts of the President's letter to the Congressional chairmen and of today's Proclamation are as follows:

The Honorable HARRY FLOOD BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

The Honorable WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In my letter to you of June 19, 1958, I stated that I was suspending consideration of the recommendations of the United States Tariff Commission in Escape-Clause Investigation No. 65 on lead and zinc. I pointed out that a final decision would be appropriate after the Congress had completed its consideration of the proposed Minerals Stabilization Plan. The Congress did not, as you know, enact this Plan.

After full consultation with the Trade Policy Committee and other interested agencies of the Executive Branch, I have decided to accept the unanimous findings of the Tariff Commission respecting injury. There is no doubt that the domestic producers are in genuine distress. They have substantially curtailed their production, and large commercial stocks have accumulated within this country. At the same time, the prices of both lead and zinc have declined and, despite decreased demand, import levels have remained high.

In seeking a solution which will afford adequate relief to the domestic industry, I am also conscious of the importance to the economies of friendly countries of exports of lead and zinc to the United States. There is no doubt that in the long term the United States will continue to be an important market for lead and zinc producers abroad. With these considerations in mind, and with the aim of finding a way to share with exporting countries the burdens caused by the present condition of world over-production, representatives of this Government have recently participated in discussions of this problem with other nations. I am hopeful that, with the good will and cooperation of all major exporting and importing countries, mutually acceptable solutions can be found.

Meanwhile, the condition of the domestic producers admits of no further delay in taking remedial measures. After a careful examination of the Commission's report, including its alternative proposals for meeting the problem, I have decided to establish a quota limiting imports to eighty percent of average annual commercial imports during the five years 1953–57, as set forth in the attached copy of my Proclamation of today. This quota is allocated by countries and represents an equitable approach to a difficult problem affecting many sources of supply.

I recognize that the imposition of quotas is an unusual step, but it is better suited than a tariff increase to the unique circumstances of the case and more likely to lead to enduring solutions beneficial to the entire lead and zinc industry. These limitations represent a twenty percent reduction from the level of average annual imports during the last five years. This action should be of real benefit to the lead and zinc industry, and that benefit should increase as our economy moves upward.

Sincerely,

DWIGHT D. EISENHOWER.

MODIFICATION OF TRADE AGREEMENT CONCESSIONS AND IMPOSITION OF QUOTAS ON UNMANUFACTURED LEAD AND ZINC: BY THE PRESIDENT OF THE UNITED STATES OF AMERICA—A PROCLAMATION

1. Whereas, pursuant to the authority vested in him by the Constitution and the statutes, including section 350 of the Tariff Act of 1930, as amended (19 U.S.C. 1351, the President, on October 30, 1947, entered into a trade agreement with foreign countries, which consists of the General Agreement on Tariffs and Trade and the related Protocol of Provisional Application thereof, together with the Final Act Adopted at the Conclusion of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment (61 Stat. (Parts 5 and 6) A 7, A 11, and A 2051), and, by Proclamation No. 2761A of December 16, 1947 (61 Stat. (Part 2) 1103), proclaimed such modifications of existing duties and other import restrictions of the United States and such continuance of existing customs or excise treatment of articles imported into the United States as were then found to be required or appropriate to carry out that agreement on and after January 1, 1948;

2. Whereas, pursuant to the said authority, the President, on April 21, 1951, entered into a trade agreement consisting of the Torquay Protocol to the General Agreement on Tariffs and Trade, including the annexes thereto (3 UST (Part 1) 588), and, by Proclamation No. 2929 of June 2, 1951 (3 CFR, 1951 Supp., p. 27), proclaimed such modification of existing duties and other import restrictions of the United States and such continuance of existing customs or excise treatment of articles imported into the United States as were then found to be required or appropriate to carry out that agreement on and after June 6, 1951, which proclamation has been supplemented by several notifications of the President to the Secretary of the Treasury, including a notification dated June 2, 1951 (3 CFR, 1951 Supp., p. 530):

3. Whereas the second item 394 in Part I of Schedule XX annexed to the agreement referred to in the first recital of this proclamation (61 Stat. (Part 5) A 1219) reads as follows:

Tariff Act of 1930, paragraph	Description of products	Rate of duty
394	Old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings.	¾¢ per lb.

4. Whereas item 391, the first item 392, item 393, and item 394 in Part I of Schedule XX annexed to the trade agreement referred to in the second recital of this proclamation (3 UST (Part 1) 1167), read, respectively, as follows:

Tariff Act of 1930, paragraph	Description of products	Rate of duty
391	Lead-bearing ores, flue dust, and matters of all kinds	¾ ¢ per lb. on lead content.
392	Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, Babbitt metal, solder, all alloys or combinations of lead not specially provided for.	11/16¢ per lb. on lead content.
393	Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc.	0.6¢ per lb. on zinc content.
394	Zinc in blocks, pigs, or slabs, and zinc dust	0.7¢ per lb.

5. Whereas, in accordance with Articles II and XI of the said General Agreement on Tariffs and Trade, the United States customs treatment reflecting the concessions granted in the said trade agreements with respect to the articles described in the items reproduced in the third and fourth recitals of this proclamation has been the application of the respective rates of duty specified in such items, without quantitative limitation:

6. Whereas the United States Tariff Commission has submitted to me a report of its Investigation No. 65 under section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C. 1364), as a result of which the Commission has found that the articles described in the said items (except Babbitt metal, solder, and zinc dust) are, as a result in part of the customs treatment specified in the fifth recital of this proclamation, being imported into the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industries producing like or directly competitive products;

7. Whereas I find that the modifications of the concessions granted in the said agreements with respect to such articles to permit the application to such articles of the customs treatment hereinafter proclaimed necessary to remedy the serious injury to the domestic industries producing like or directly competitive products;

8. Whereas the said section 350 of the Tariff Act of 1930, as amended authorizes the President to proclaim such modifications of existing duties and such additional import restrictions as are required or appropriate to carry out any foreign trade agreement that the President has entered into under the said section 350; and

9. Whereas, upon modification of the said concessions as hereinafter proclaimed, it will be appropriate, to carry out the General Agreement on Tariffs and Trade, to apply to the said articles the customs treatment hereinafter proclaimed:

Now, therefore, I, Dwight D. Eisenhower, President of the United States of America, acting under the authority vested in me by section 350 of the Tariff Act of 1930, as amended, and by section 7(c) of the Trade Agreements Extension Act of 1951, as amended, and in accordance with the provisions of Article XIX of the said General Agreement on Tariffs and Trade, do proclaim as follows:

(a) Item 391, the first item 392, item 393, and item 394, referred to in the fourth recital of this proclamation, shall each be modified, effective October 1, 1958, so as to read, respectively, as follows:

Tariff Act of 1930, paragraph	Description of products	Rate of duty
391	Lead-bearing ores, flue dust, and mattes of all kinds	¾¢ per lb. on lead content.
	Whenever, in any 3-month period beginning Oct. 1 in 1958, and Jan. 1, Apr. 1, July 1, and Oct. 1 in any subsequent year— (1) the dutiable lead content (as shown on the entry in accordance with the applicable customs regulations) of lead-bearing ores, flue dust, and mattes the product of a country specified below, entered, or withdrawn from warehouse, for consumption, and (2) the dutiable lead content (as shown on the warehouse withdrawal for consumption in accordance with the applicable customs regulations) of lead-bearing ores, flue dust, or mattes the product of such country, with respect to which duty was collected under section 312 of the Tariff Act of 1930 upon withdrawal for consumption from customs bonded warehouse of "metal producible" within the meaning of the said section 312, are determined by the Secretary of the Treasury of the United States to have reached the aggregate quantity specified below for such country, no lead-bearing ores, flue dust, or mattes the product of such country may be entered, or withdrawn from warehouse, for consumption during the remainder of such period; and no article may be withdrawn for consumption from any customs bonded warehouse during the remainder of such period if by reason of such withdrawal duty would become collectible under section 312 of the Tariff Act of 1930 in cancellation of a bond charge covering any lead-bearing ore, flue dust, or matte the product of such country:	
	Peru	8,080 short tons.
	Union of South Africa	7,440 short tons.
	Canada	6,720 short tons.
	Australia	5,040 short tons.
	Bolivia	2,520 short tons.
	All other foreign countries (total)	3,280 short tons.
	The foregoing quantitative restrictions shall not apply to any ore, flue dust, or matte the lead content of which is not subject to duty or which contains less than two per centum of lead (whether or not the lead content thereof is subject to duty); to any article imported by or for the account of the Government of the United States; or to any imported article which is under contract for delivery in the United States for the account of a corporation wholly owned by the Government of the United States.	
392	Lead bullion or base bullion, lead in pigs and bars, lead dross; reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, Babbit metal, solder, all alloys or combinations of lead not specially provided for.	1$\frac{1}{16}$¢ per lb. on lead content.
	Whenever, in any three-month period beginning October 1 in 1958, and January 1, April 1, July 1, and October 1 in any subsequent year, the dutiable lead content (as shown on the entry in accordance with the applicable customs regulations) of the articles described above in this item (except Babbitt metal and solder) the product of a country specified below, entered, or withdrawn from warehouse, for consumption, is determined by the Secretary of the Treasury of the United States to have reached the aggregate quantity specified below for such country, no such articles the product of such country may be entered, or withdrawn from warehouse, for consumption during the remainder of such period:	
	Mexico 18,440 short tons	
	Australia 11,840 short tons	
	Canada 7,960 short tons	
	Yogoslavia 7,880 short tons	
	Peru 6,440 short tons	
	All other foreign countries (total) 3,040 short tons	
	The foregoing quantitative restrictions shall not apply to any article described in this item which is not subject to duty; to any such article imported by or for the account of the Government of the United States; or to any imported article which is under contract for delivery in the United States for the account of a corporation wholly owned by the Government of the United States.	

Tariff Act of 1930, paragraph	Description of products	Rate of duty
393	Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc. Whenever, in any three-month period beginning October 1 in 1958, and January 1, April 1, July 1, and October 1 in any subsequent year (1) the dutiable zinc content (as shown on the entry in accordance with the applicable customs regulations) of zinc-bearing ores the product of a country specified below, entered, or withdrawn from warehouse, for consumption, and (2) the dutiable zinc content (as shown on the warehouse withdrawal for consumption in accordance with the applicable customs regulations) of zinc-bearing ores the product of such country, with respect to which duty was collected under section 312 of the Tariff Act of 1930 upon withdrawal for consumption from customs bonded warehouse of "metal producible" within the meaning of the said section 312, are determined by the Secretary of the Treasury of the United States to have reached the aggregate quantity specified below for such country, no zinc-bearing ores the product of such country may be entered, or withdrawn from warehouse, for consumption during the remainder of such period; and no article may be withdrawn for consumption from any customs bonded warehouse during the remainder of such period if by reason of such withdrawal duty would become collectible under section 312 of the Tariff Act of 1930 in cancellation of a bond charge covering any zinc-bearing ore the product of such country: Mexico ... 35,240 short tons Canada ... 33,240 short tons Peru ... 17,560 short tons All other foreign countries (total) ... 8,920 short tons The foregoing quantitative restrictions shall not apply to any ore the zinc content of which is not subject to duty or which contains less than one per centum of zinc (whether or not the zinc content thereof is subject to duty); to any article imported by or for the account of the Government of the United States; or to any imported article which is under contract for delivery in the United States for the account of a corporation wholly owned by the Government of the United States.	0.6¢ per lb. on zinc content.
394	Zinc in blocks, pigs, or slabs, and zinc dust Whenever, in any three-month period beginning October 1 in 1958, and January 1, April 1, July 1, and October 1 in any subsequent year, the total aggregate quantity of the articles described above in this item (except zinc dust) and in the second item 394 in Part I of Schedule XX annexed to the General Agreement on Tariffs and Trade as authenticated on October 30, 1947 (old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings), the product of a country specified below, entered, or withdrawn from warehouse, for consumption, is determined by the Secretary of the Treasury of the United States to have reached the aggregate quantity specified below for such country, no such articles the product of such country may be entered, or withdrawn from warehouse, for consumption during the remainder of such period: Canada ... 18,920 short tons Belgium and Luxembourg (total) ... 3,760 short tons Mexico ... 3,160 short tons Belgium Congo ... 2,720 short tons Peru ... 1,880 short tons Italy ... 1,800 short tons All other foreign countries (total) ... 3,040 short tons The foregoing quantitative restrictions shall not apply to any article described in this item which is not subject to duty; to any such article imported by or for the account of the Government of the United States; or to any imported article which is under contract for delivery in the United States for the account of a corporation wholly owned by the Government of the United States.	0.7¢ per lb.

(b) The articles described in the said items entered, or withdrawn from warehouse, for consumption on or after October 1, 1958, and until the President otherwise proclaims, shall be subject to the quantitative limitations specified in the said items, as modified by paragraph (a) above, except that no such quantitative limitation shall be applied to any article described in item 392 or item 394 or in clause numbered (1) of item 391 or clause numbered (1) of item 393 which was exported to the United States prior to the date of this proclamation.

In witness where of, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

Done at the City of Washington this twenty-second day of September in the year of our Lord nineteen hundred and fifty-eight, and of the Independence of the United States of America the one hundred and eighty-third.

[SEAL]

DWIGHT D. EISENHOWER.

By the President:

JOHN FOSTER DULLES, *Secretary of State.*

QUOTA LIMITATIONS, BY COUNTRY OF PRODUCTION, APPLICABLE UNDER ITEMS 391, 392, 393, AND 394, PART I, SCHEDULE XX, GENERAL AGREEMENT ON TARIFFS AND TRADE, AS SUPPLEMENTED, FOR THE QUARTERLY PERIOD BEGINNING OCT. 1, 1958, AND FOR EACH SUBSEQUENT QUARTERLY PERIOD BEGINNING JAN. 1, APR. 1, JULY 1, AND OCT. 1

Presidential Proclamation No. 3257, dated Sept. 22, 1958[1]

[In pounds]

Country of production[2]	Item 391.—Lead-bearing ores, flue dust, and mattes	Item 392.—Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f.	Item 393.—Zinc-bearing ores or all kinds, except pyrites containing not over 3 percent of zinc	Item 394.—Zinc in blocks, pigs or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross and zinc skimmings
	Quarterly quota—Dutiable lead	Quarterly quota—Dutiable lead	Quarterly quota—Dutiable zinc	Quarterly quota—By weight
Australia	10,080,000	23,680,000		
Belgium Congo				5,440,000
Belgium and Luxemburg (total)				7,520,000
Bolivia	5,040,000			
Canada	13,440,000	15,920,000	66,480,000	37,840,000
Italy				3,600,000
Mexico		36,880,000	70,480,000	6,320,000
Peru	16,160,000	12,880,000	35,120,000	3,760,000
Union of South Africa	14,880,000			
Yugoslavia		15,760,000		
All other foreign countries (total)	6,560,000	6,080,000	17,840,000	6,080,000

[1] The proclamation specifically exempts the following from the quota restrictions imposed therein:
(1) any article imported by or for the account of the United States Government; or any imported article which is under contract for delivery in the United States for the account of a corporation wholly owned by the United States Government;
(2)*a* any article described in item 392, above, or in item 394, above, exported to the United States before September 22, 1958;
b lead-bearing ores, flue dust, and mattes of all kinds (item 391, above,) and zinc-bearing ores of all kinds (item 393, above,) exported to the United States before September 22, 1958. This exemption does not apply to withdrawals for consumption of "metal producible" from bonded smelters under section 312, Tariff Act of 1930;
(3) any article described in item 392, above, or in item 394, above which is not subject to duty;
(4) any ore, flue dust, or matte (item 391, above,) the lead content of which is not subject to duty or which contains less than two per centum of lead (whether or not the lead content thereof is subject to duty);
(5) any ore (item 393, above,) the zinc content of which is not subject to duty or which contains less than one per centum of zinc (whether or not the zinc content thereof is subject to duty);
(6) Babbitt metal and solder (item 392, above,) and zinc dust (item 394, above).

[2] Articles produced in any country not named in the proclamation, or in any country other than those to which allocations have been made, are subject to the allocation to "all other foreign countries."

TREASURY DEPARTMENT,
BUREAU OF CUSTOMS,
Washington, D.C., September 26, 1958.

Bureau of Customs Circular Letter No. 3054.

Subject: Absolute import quotas on unmanufactured lead and zinc; Presidential Proclamation No. 3257 dated September 22, 1958.

Presidential Proclamation No. 3257 of September 22, 1958 (copy attached), modifies, effective October 1, 1958, item 391, the first item 392, item 393, and item 394, Part I, Schedule XX, of the General Agreement on Tariffs and Trade, as supplemented (T. Ds. 51802 and 52739), by establishing, with certain exceptions, absolute quota restrictions on imports for consumption under each of these items for the 3-month period beginning October 1, 1958, and for each quarterly period thereafter beginning January 1, April 1, July 1, and October 1.

Articles described in item 392 or item 394 or in clause numbered (1) of item 391 or clause numbered (1) of item 393 which were exported to the United States before September 22, 1958, are not subject to the quota restrictions provided in the proclamation.

However, metals producible withdrawn from bonded smelting and refining warehouses established under section 312, Tariff Act of 1930, are not exempted from quota limitations by reasons of the ores or crude metals designated in the withdrawal covering the metals producible having been exported before the date of the proclamation.

The quota limitations apply on a country of production basis to—

(a) the amount of the dutiable lead contained in the articles described in item 391;

(b) the amount of the dutiable lead contained in the articles described in the first item 392, except Babbit metal and solder;

(c) the amount of the dutiable zinc contained in zinc-bearing ores of all kinds, except pyrites containing over 3% of zinc, under item 393; and

(d) the total weight of certain articles described in item 394; namely: zinc in blocks, pigs, or slabs, (except zinc dust), old and wornout zinc fit only to be remanufactured, zinc dross, and zinc skimmings.

The attached table shows the quantities, by country of production, which may be entered, or withdrawn from warehouse, for consumption under the respective quotas during each quarterly period, and sets forth the exemptions from the quota limitations provided in the President's proclamation.

In the case of withdrawal for consumption of metals producible from bonded smelting and refining warehouses established under section 312, Tariff Act of 1930, the country chargeable is the country of origin of the ores or crude metals designed in the withdrawal to receive the credit for the withdrawal for consumption under section 312.

The quota restrictions do not apply to any ore, flue dust, or matte the lead content of which is not subject to duty or which contains less than 2 per centum of lead by the wet assay before deduction of the 1.5 units.

Such quota limitations under item 393 do not apply to any ore the zinc content of which is not subject to duty or which contains less than 1 per centum of zinc (whether or not the zinc content thereof is subject to duty).

Entries or withdrawals for consumption under any item for quota-class articles produced in a country not named in the proclamation, or in any country other than those to which allocations have been made, will be charged to the allocation to "all other foreign countries" under the particular item.

For quota control purposes, charges against item 391 quotas and against item 393 quotas will be based on the dutiable lead content or the dutiable zinc content, respectively, as shown on the consumption entries or warehouse withdrawals (clause numbered (1) of each item as shown in the proclamation); charges against the item 392 quotas will also be based on the dutiable lead content as shown in the consumption entries or warehouse withdrawals.

For quota control purposes, charges against the item 394 quotas will be based on the weights as shown on the consumption entries or warehouse withdrawals.

In the case of the items subject to the second clause of item 391 and item 393 relating to the withdrawal of merchandise from a bonded smelting and refining warehouse established under section 312, Tariff Act of 1930, the dutiable lead and dutiable zinc content chargeable to the respective quota by reason of the warehouse withdrawal for consumption shall be the full lead or zinc content of the ores, shown on the withdrawal, required to produce the finished product.

To illustrate, assume warehouse withdrawals for consumption were filed, with credits to be applied to warehouse entries filed covering ores, concentrates, and mattes, the dutiable lead or zinc in the imported material would be determined for quota purposes as follows:

[In pounds]

	Lead	Zinc
Lead ores or concentrates:		
Full metal content after deduction of 1.5 units for lead	[1] 266,000	22,800
Less approved wastages	8,273	3,648
Producible metals withdrawn	257,727	[1] 19,152
Copper ores or concentrates:		
Full metal content after deduction of 1.5 units for lead	20,200	5,800
Less approved wastages	6,060	870
Producible metals withdrawn	[1] 14,140	[1] 4,930
Matte:		
Full metal content after deduction of 1.5 units for lead	100,000	[2]
Less approved wastages	15,000	
Producible metals withdrawn	[1] 85,000	
Zinc ores or concentrates:		
Full metal content after deduction of 1.5 units for lead	[1] 1,100	[1] 55,100
Less approved wastages	100	2,755
Producible metals withdrawn	1,000	52,345

[1] Pounds of metal to be charged against quota of country of origin of the ores, concentrates, flue dust, or mattes of all kinds.
[2] Zinc in matte not subject to duty.

This procedure shall also apply where a constructive transfer (section 19.24, Customs Regulations) is filed at one port without physical shipment of metal producible and the warehouse withdrawal for the metal producible is filed at a second port.

All warehouse entries covering the imported material designated in items 391 and 393 show the country of origin of the material involved. Therefore, the country designated by the smelter on the warehouse withdrawal of "metal Producible" for credit against its smelter bond, should be reported to the Bureau so that the proper quota can be charged with the dutiable content of the ore or crude metal required to produce the finished product.

The warehouse withdrawal for consumption designating a given warehouse entry covering specific ores or crude metals may not be filed unless there is metal producible on hand at least equal to the recoverable lead or zinc, i.e., dutiable contents of the lead or zinc desired to be withdrawn. The filing of the warehouse withdrawal need not be withheld until the related warehouse entry has been liquidated.

In view of the possibility that some of the quotas may be filled at or shortly after the opening of the quota period on October 1, 1958, no quota-class articles shall be released from customs custody without Bureau authorization.

To afford all importers an equal opportunity for the simultaneous presentation of entries and withdrawals for consumption under the quota, arrangements shall be made for the official opening of the quota on Otcober 1, 1958, as of noon, e.s.t., or its equivalent in other time zones. No importer shall be permitted to file an entry or withdrawal for consumption under any item for an amount in excess of the quota allocation involved (section 12.50(d), Customs Regulations).

You shall report the following detailed information to the Bureau by telegram with respect to the entries and withdrawals presented as of noon, e.s.t., on October 1:

(1) the respective total amounts, in pounds, of quota-class lead, by country of production, subject to the item 391 quotas;

(2) the respective total amounts, in pounds, of quota-class dutiable lead, by country of production, subject to the item 392 quotas;

(3) the respective total amounts, in pounds, of quota-class zinc, by country of production, subject to the item 393 quotas;

(4) the respective total weights, in pounds, by country of production, of the zinc articles subject to the item 394 quotas.

The same detailed information shall be reported by telegram with respect to each subsequent entry and withdrawal. The exact time of presentation of each entry and withdrawal shall be stated. Articles which come within the quota exemptions provided in the proclamation (see attached table) should not be reported to the Bureau.

All transactions shall be reported in detail on customs Form 3161. Since the quotas are to be administered on a pound basis, that unit of quantity should be stated in the "Unit of Quantity" column of customs Form 3161. To assure proper identification of the quota, or quotas, to which each transaction is chargeable, the item number, or numbers should be stated in connection with the description of the commodity involved. Since the quotas are absolute, it is essential that all information reported to the Bureau on the bases outlined in paragraphs 6 through 12 of this letter be as accurate as possible.

Nothing in the above shall be construed as providing a change of existing practice in the method of determining duitable quantities of these products in the liquidation of the entries.

In order to avoid demurrage charges and to facilitate the movement of the imported merchandise, the collector may permit goods arriving in railroad cars to proceed under a special manifest to a bonded warehouse or other place designated by the collector after the consumption entry has been filed and before their quota status has been determined in the condition that the goods shall not be removed from the place of unlading until proper disposition has been determined. An appropriate entry, immediate transportation or warehouse, shall be substituted promptly for any of goods excluded from release under the consumption entry.

All collections tendered as payment of duties on entries presented under the quotas specified by Presidential Proclamation No. 3257 of September 22, 1958, shall be deposited to the deposit fund account 20X6864. Unapplied Customs Receipts. You will be notified by the Bureau of the entries or portions of entries accepted under these quotas at which time you shall immediately refund to the parties in interest the collections tendered in payment of duties on the unaccepted entries or portions of entries and deposit the duties on the accepted entries in the regular way to revenue account 200310 Duties on Imports.

D. B. STRUBINGER,
Acting Commissioner of Customs.

Mr. SCHNEEBELI. It is not under OEP?

That is the only authority that I am aware of at the present time.

Mr. JOHNSON. No, this was an Executive order, and I will send you a copy.

Mr. SCHNEEBELI. I have another short question.

On the matter of manufactured zinc and lead, I understand there is still a tariff duty in connection with these products.

Mr. JOHNSON. There is also a tariff on the ores and metals.

Mr. SCHNEEBELI. Which was not disturbed by the Kennedy round?

Mr. JOHNSON. On the ores and metals, it was not disturbed.

Mr. SCHNEEBELI. On the unmanufactured, it was not disturbed. Why can't we control our problem with regard to the jeopardy of our domestic industry through a higher tariff, rather than through the quota system?

Mr. JOHNSON. I suppose you could, if you made it high enough. The only problem we find with this, and we think one of the advantages of what we are suggesting, is there we do not want controls at times when they are not needed, and that will be most of the time, in my judgment.

In fact, I have said right along, if we passed legislation like this, I don't believe a quota would ever come into effect; and, if you use the method of tariffs, they would have to be pretty high in order to control this thing.

Mr. SCHNEEBELI. They would be?

Mr. JOHNSON. They would be. They are not high, now. They are quite insignificant, in relation to the total cost of the products, 0.6 or 0.7 cents a pound. It is not a very high ad valorem base.

So, homehow, I just sort of feel you would have to have a tariff of four or five or six times as high as that, to be effective.

Again, if you put on a tariff, people have spoken in the past of a tariff quota, where the amount of the tariff varies from time to time, and this might be a solution. I don't know. It seems more complicated than this.

Mr. SCHNEEBELI. If the Government had authority to establish quotas in 1958, why wouldn't it have that same authority at the present time?

Mr. JOHNSON. This is a good question. I would like to know, myself.

Mr. CURTIS. I think it was an escape clause proceeding. If the Tariff Commission recommends it, and the President has the authority to do that.

Mr. SCHNEEBELI. Just for the record, would you supply us the prices at which unmanufactured zinc and lead were sold in the United States before and after quotas during this period of time?

I would like to see the effect that quotas have on prices before the establishment of quotas and lifting of quotas.

Mr. JOHNSON. I have it with me now, but I will give you a statement.

The CHAIRMAN. Are there any further questions?

Again, Mr. Johnson, we thank you, sir.

(The following information was received by the committee:)

AVERAGE E. & M.J. PRICE PER POUND (IN CENTS)

	Lead	Zinc		Lead	Zinc		Lead	Zinc
1950	13.3	13.9	1956	16.0	13.5	1962	9.6	11.6
1951	17.5	18.0	1957	14.7	11.4	1963	11.1	12.0
1952	16.5	16.2	1958	12.1	10.3	1964	13.6	13.6
1953	13.5	10.9	1959	12.2	11.4	1965	16.0	14.5
1954	14.1	10.7	1960	11.9	12.9	1966	15.1	14.5
1955	15.1	12.3	1961	10.9	11.5	1967	14.0	13.8

COMMENTS ON LEAD-ZINC PRICES

1. Varying United States market prices since 1950 have had very minor, if any, effect on changes in United States industrial consumption of lead and zinc. Conversely, the changes in lead-zinc consumption (directly reflecting the variations in the general economy) together with the surplus of metal stocks, caused by excessive imports, depressed lead-zinc metal prices to unprofitable levels for the domestic miner from 1957 to early 1964.

2. During Korea, United States prices of lead and zinc were frozen by the Government at levels several cents below world prices. Import duties were suspended from February to June 1952 to "attract", back to our markets, the normal flow of imports from exporting nations, needed at this time, to support the Korean war effort. The duties were subject to reinstatement when the United States price fell below 18c for each metal.

3. United States prices improved in 1955 and 1956 under the alternative programs initiated by the President, such as purchase and barter of lead and zinc for the stockpile program in lieu of higher duties or quotas.

4. Prices improved slightly following the Quota Proclamation but dropped again in early 1959. In 1962 market prices for lead and zinc remained low. High lead stocks resulted in a price drop to 9.5c per pound—the lowest since price controls were relaxed following World War II. The zinc price of 11.6c per pound also reflected excessive zinc stocks.

5. During 1963 prices for both lead and zinc increased, reaching 13c per pound and approached reasonable minimum prices for the first time since 1956. This rise resulted from decreased producers stocks and increased consumption, reflecting increased usage by the automobile and steel industries.

6. The increase in consumption of both lead and zinc continued into 1964, and United States primary producers metal stocks at the close of 1963 and again in 1964 were at the lowest levels since the pre-quota period. The lead price increased from 10.5c per pound on January 15, 1963 to 13.0c per pound on January 2, 1964 and zinc increased from 12.0c per pound on July 2, 1963 to 13.0c on December 3, 1963. The U.S. zinc price was 14.5c per pound at the end of 1964 and the price of lead was 16.0c per pound at the close of the year.

7. The domestic lead price held constant through 1965 at 16.0c per pound, but on May 5, 1966 this was reduced to 15.0c per pound and again to 14.0c on October 10, 1966, closing the year at that level. Both price reductions were made "to restore the world balance" in pricing the metal, reflecting the decrease in quotes on the London Metal Exchange. The domestic price for zinc remained at 14.5c per pound during 1966.

8. During May and June of 1967 the price of zinc dropped 1c per pound to 13.5c per pound, and on May 2, 1968 the price of lead dropped 1c per pound to 13.0c per pound. The two metals currently remain at these price levels.

The CHAIRMAN. Our next witness is Mr. Wilke, of the Domestic Litharge Producers.

(No response.)

The CHAIRMAN. Mr. Richard J. Bauer, president, Independent Zinc Alloyers Association.

Mr. Bauer?

(No response.)

The CHAIRMAN. Without objection, those whose names have been called who are not here in person may, if they desire to do so, extend the remarks they would have delivered had they been present in the record at this point.

(The following statement of the Domestic Litharge Industry was received for the record:)

STATEMENT OF THE DOMESTIC LITHARGE INDUSTRY

BACKGROUND

Litharge, which is one of the primary constitutents in present day automobile batteries, contains ninety-three (93) percent virgin lead metal and is generally manufactured by the simple process of furnacing. Litharge contains so great a proportion of the virgin base metal that in major tonnage the cost of such lead is nearly ninety (90) percent of the sales price of the finished and packaged products.

DELETERIOUS EFFECT UPON DOMESTIC LITHARGE INDUSTRY RESULTING FROM IMPORTATIONS FROM MEXICO

Prior to 1955, the importation of litharge from Mexico was not a significant part of the domestic market. In fact, total litharge imports from Mexico never exceeded a few hundred tons up to the year 1955.

Mexico, for many years, has produced large quantities of lead. It has been able to produce its lead below the price of the London Metal Exchange (LME). As a result, the Mexican Government has been able to receive revenues from the mining of lead by taxing such producers to bring about a price equal to the LME. The situation with respect to this tax has been in effect for many years and is still presently in existence.

In 1955 (the Mexican Government initiated a system whereby the Mexican litharge producers could purchase the primary metal in Mexico less the amount of tax on refined metal. The resulting ramifications of this procedure are that Mexican producers of primary metal pay an export tax of approximately twenty-eight (28) percent, equalizing the cost of the metal to that of the LME; and, in contrast, the Mexican producers of litharge, a simple manufactured product consisting of ninety-three (93) percent primary lead metal, are exporting said product without payment of tax, amounting to very nearly three-cents per pound, allowing litharge to compete unfairly with domestic production.

This action by the Mexican Government brought about the obviously desired results. Litharge imports from Mexico leaped from 750 tons in 1955 to 5,370 tons in 1956. This fantastic increase in Mexican imports has continued to the present. Over 11,000 tons of Mexican litharge was imported into the United States in 1959, over 15,000 tons in 1962, and over 24,000 tons in 1966 and again in 1967. During the period of 1960–1967, domestic litharge shipments averaged only around 102,000 tons. Thus Mexican imports of litharge amount to well over twenty (20) percent of domestic shipments. Furthermore, since Mexico exports nearly ninety (90) percent of its output, and, since the Mexican litharge industry possesses the capacity to produce approximately fifty-thousand tons of litharge, the future of the American litharge industry is very much in doubt.

The brief foregoing summary evidences that Mexican litharge can invade the United States market almost at will and with such certitude as to be able to determine the amount of the domestic market to be taken over at any given time. For the past ten years, the price of delivered Mexican litharge in the United States has been less than the cost to the domestic producers of pig lead. While the domestic litharge industry does not condemn foreign competition, it must condemn any form of unfair competition that invades, and threatens further invasion, of the United States market. The domestic litharge industry states, and not in the sense of exaggeration, that if the exportation of this material continues at its present rate of increase, the domestic industry might just as well go out of business.

AVAILABLE REMEDIES UNDER EXISTING LAW

Since importation of Mexican litharge quite clearly is having a destructive effect upon the domestic industry, we have given considerable study to means of alleviating the problem under existing laws. Two statutes appear germane to our situation: The Antidumping Act, 1921, as amended, 19 U.S.C.A. §§ 160–173 and the Countervailing Duty Section of the Tariff Act of 1930, 19 U.S.C.A. § 1303. Prosecution of a claim under either statute requires an inordinate amount of time and expense. The real drawback to these remedial provisions, however, lies in the fact that their relief is predicated upon a finding of "fault" in the importer, with the commensurate burden of proving such "fault" deposited in the American manufacturer or producer.

Under the Antidumping Act, 1921, as amended, a special dumping duty is assessed when "a class or kind of foreign merchandise is being, or is likely to be, sold in the United States at less than its fair value" and "an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States." Procedurely, the Act provides that the Secretary of the Treasury shall determine whether the first quoted condition exists. If the Secretary makes an affirmative determination, he informs the Tariff Commission which then acquires jurisdiction to determine whether one or more of the second quoted conditions exist. Affirmative determinations by both agencies, taken together, constitute a "finding" of dumping within the meaning of the Act. The special dumping duty to be assessed is an amount equal to the difference between the purchase price and the foreign market value.

The utility of the Antidumping Act by domestic concerns is more prevalent in the abstract than in reality. The domestic producer or manufacturer must hurdle two substantial burdens. Initially, he must establish sales at less than fair value. Secondly, he must demonstrate an injury (which is required to be material by the Commission) resulting from such importations. The mere influx of imports and their necessary pernicious effect upon American industry is meaningless, unless the domestic concern can collect the evidence necessary to establish sales at less than fair value and resulting injury, proximately caused by such sales.

The Countervailing Duty Provision of the 1930 Tariff Act requires the Secretary of the Treasury to impose a countervailing duty whenever a foreign country pays or bestows any bounty or grant upon the manufacture or production or export of any article manufactured or produced in such country, and such article or merchandise is dutiable under the provisions of the Tariff Act. The countervailing duty is an additional duty equal to the net amount of such bounty or grant. Like the Antidumping Act, relief under this provision depends upon a finding of culpability in the exporting country. The task of revealing a bounty or grant from the intricacies of foreign law is, at best, burdensome. Often the existence of the bounty or grant is not revealed by foreign statute, and is sub rosa in nature. Once again, the inflow of imports and their noxious effect upon domestic industry is irrelevant, and only a finding of a bounty or grant will trigger this remedial statute.

The domestic litharge industry, during the past five years, has sought self-protection through both of these statutes. To date, our efforts have been abortive. The reason for our inability to safeguard this industry through the aforementioned statutes is that both provisions are criminalistic, in the economic and international trade sense, and, consequently, narrowly drafted and stringently interpreted. The circumstances behind the importation of litharge from Mexico is replete with unique facts and characteristics, and creates a tenuous argument to incorporate this situation into the narrow confines of existing statutes. The frustration of our industry incidental to attempts to invoke existing law is the best evidence available to manifest the inherent weakness of our statutory scheme. During the past decade the domestic litharge industry has suffered from the fantastic influx of Mexican imports. Since 1955 such imports have increased from less than one percent of domestic consumption to over twenty percent. The only possible explanation for this phenomenon is the price differential between Mexican and domestic litharge. The injurious effects upon the domestic industry are self-evident. Yet, these facts, in themselves, afford no bases for relief, since existing law demands proof of "fault" in the exporting country.

PROPOSED LEGISLATION

The underlying policy behind H.R. 51, "Lead and Zinc Act of 1967", and the "Import Regulation Act of 1968" is the type of legislation needed to remedy the problem of our industry. Both proposed statutes attempt to eliminate the destructive effects of imports upon domestic industry by stabilizing their influx. The operative facts necessary to initiate their applicability are merely an increase in imports, and the automatic correlative of a declining market for the domestic industry. Thus injury to the domestic industry resulting from an increase in the flow of imports is sufficient to execute remedial legislation, without the American manufacturer or producer being burdened by the necessity to establish "fault" in the exporting country. But while the general policy of the proposed legislation is what is required to preserve the domestic litharge industry, the substantive provisions appear only to have a peripheral effect upon our dilemma.

H.R. 51, "Lead and Zinc Act of 1967", is concerned primarily with the domestic lead and zinc industries, and the proposed statute has only an ancillary effect upon a "manufactured lead article", which would include litharge. The statute would impose a quota on manufactured lead articles only if a lead quota had previously been instituted. Title III, thus, would establish a manufactured lead quota only for the purpose of preserving the market created by the lead ore and lead metal quota, and not for the purpose of preserving a market for the manufactured lead producers. This statute is not responsive to the plight of the domestic litharge industry.

The "Import Regulation Act of 1968" is more applicable to the needs of our industry. In fact, Section 2, which states the purpose of the Act "to stabilize imports and to eliminate their destructive effects", appears to have been drafted with the litharge industry in mind. Section 5 sets forth various conditions which if found to exist would automatically be deemed to place the domestic industry "at a serious competitive disadvantage in relation to imports." At least two of these conditions exist with regard to the relationship of domestic litharge and the Mexican imports.

But while this proposed statute would clearly apply to the litharge situation, the remedy afforded would only provide partial relief to our woes. Section 5(e)(1) limits the ceiling on imports to the share of domestic consumption supplied by the imports during the most recent calendar year. Thus, complete relief under the proposed legislation would still leave a situation whereby Mexican imports consume over twenty (20) percent of domestic consumption. We do not mean to discount the fact that future invasion of our markets, which appears more than probable, would be thwarted, but only that the remedy should be less artificial, and more flexible to meet the particular conditions of the various industries. For example, if the exporting country was already exporting its commodity into our markets at its maximum capacity of production, then the relief afforded under Section 5(e) (1) would be nil.

We do not underestimate the difficulty of establishing a criteria for a quota in one piece of legislation to cover all industries, but we do feel that more flexibility is possible and capable of achievement. The "Import Regulation Act of 1968" recognizes that substantial inroads in domestic consumption by imports have ruinous effect upon the industries of the United States. What is required is that the import ceiling be created at the point when the imports began to have deleterious effects upon the domestic industry. As the Act now reads, it is purely speculative whether its application will impede the destructive effects caused by the influx of imports, partially remedy the situation (as is the case with litharge), or provide no relief at all. More flexibility is mandatory.

In any event, the "Import Regulation Act of 1968" will insure the prevention of the future invasion of Mexican imports into the domestic litharge market. To this end, the proposed statute, in its present form, is superior to a lack of any further remedial legislation, and if the choice resolves itself between this Act, in its present form, and no Act, the domestic litharge industry would support and favor the enactment of the "Import Regulation Act of 1968."

(The following statement of Mr. Bauer was received for the record:)

Statement of Richard J. Bauer, President, Independent Zinc Alloyers Association

Mr. Chairman and members of the Ways and Means Committee of the House of Representatives.

My name is Richard J. Bauer, I am president of the Independent Zinc Alloyers Association and also president of my own company, Eastern Alloys, Inc., of Maybrook, New York. I appreciate this opportunity to testify for the Association on House Bills 51, 6126, 7010, 7537 and 9038 on reinstating a quota upon the importation into the United States of zinc ore and zinc metal. We are grateful to this Committee for airing discussion on this nation's role and responsibility in international trade at this critical time.

In this country there are approximately 35 major independent zinc alloy producers who manufacture and sell zinc alloys to die casters and other consumers. The independent zinc alloyers purchase special high grade slab zinc from domestic producers and from foreign sources.

There are seven producers of primary zinc in the United States supplying special high grade slab zinc. At least five of these companies also produce zinc alloys or own subsidiary companies engaged in producing zinc alloys or have a financial or stock position in companies producing zinc alloys.

In summary, independent zinc alloyers are companies that must purchase slab zinc for use in making zinc alloys. Zinc production companies, primary zinc companies, if you will, use their own slab zinc or sell slab zinc to themselves, for production of zinc alloy.

In market terms, independent zinc alloyers compete amongst themselves for customers and they also compete with the primary producers of zinc in the market for zinc alloys.

Of the major independent zinc alloyers in this country, thirteen are members of the Independent Zinc Alloyers Association and these thirteen sell approximately 50% of all zinc alloys marketed in this country.

Members of the association are located in Illinois, New York, Michigan and Tennessee. While each falls within the category of small business, together they employ many hundreds of persons and their plants represent capital investments ranging from hundreds of thousands to millions of dollars.

In October of last year, our association went on record in opposition to Senate bill 289 before the Senate Finance Committee. At that time, we advised the Honorable Russell B. Long, chairman of the committee, of our support for the statement to the committee on October 18 of the Honorable Stewart L. Udall, Secretary of the Interior. We cited specifically our agreement with Mr. Udall's point that under S. 289 "the control of imports would be determined by industry actions rather than by competitive actions in the marketplace."

The bills now before this committee on reinstatement of zinc quotas mirror S. 289 and so we are opposed to each and all of them.

Our industry is unlike some other basic metal industries. This country might be said to be self-sufficient in steel, for example, in that all the processes from ore to metal are abundantly contained within the United States. Zinc, however, is an international metal and all users of zinc ore and metal in this country must rely to one extent or another upon foreign sources.

Mr. Simon D. Straus, vice president of American Smelting and Refining Company, and Mr. Richard A. Young, chairman of the board of American Zinc Company, officials of primary zinc production and supply companies in this nation, and both highly respected persons in our industry, attested to the international nature of the zinc industry earlier this year.

In very informative papers on the free world supply and demand of zinc, presented before industry trade meetings in Montreal on April 4, they discussed data that clearly demonstrated the interrelation of U.S. and free world zinc supplies. Much of this data was developed by the International Lead and Zinc Study Group. Mr. Young's talk related strikes in our U.S. copper industry and the release of zinc from the U.S. stockpile to foreign zinc production and to U.S. imports.

Prior to 1963 the great bulk of special high grade zinc used by independent alloyers in the U.S. came from domestic sources. Today more than 50% comes to us from foreign sources, we look to imported slab zinc not because of price considerations but because it is more dependable as a supply source of our basic material.

You must remember, we, as independent alloyers, compete with the primary zinc producers for alloy customers. And, incidentally, most of our customers are die casters producing largely for the automotive industry. We respect competition from these producers as well as competition amongst ourselves.

Since we rely upon foreign sources for approximately half of our supply of slab zinc and upon U.S. primary producers, who are in competition with us, for the other half of our supply of raw materials, the proposed quota legislation could on one hand reduce our source of supply from overseas and on the other hand, allow major competitors an unfettered supply of slab zinc. A supply condition such as this would be very disruptive and extremely harmful to the independent zinc alloyers.

No one anticipates manipulation of domestic supplies of slab zinc solely for the purpose of causing application of quotas on imports. However, inherent in the legislation, if it should become law, is the possibility that its application could be to the competitive disadvantage of all the independent zinc alloyers. We are certain it is never the intention of this Government to create a tool of competitive advantage for one segment of an industry to the disadvantage of another segment of the same industry.

The bills before you provide that when slab zinc owned by U.S. producers at the close of three consecutive months exceeds 175% of average monthly domestic shipments during the same three months, a quota shall be applied.

It was estimated, during the Senate Finance Committee hearings last October, by Mr. Clark L. Wilson, Chairman of the Lead-Zinc Producers Committee, that a 38 million dollar inventory would be required to trigger zinc quotas. At the time of his testimony, published figures indicated a U.S. inventory of approximately 25 million dollars. Under normal market conditions in this country, a 38 million dollar zinc metal inventory, including metal in bonded warehouses, would not be abnormal.

If these bills had been law in October of last year, an addition of only 13 million dollars to the then current metal inventory could have been the signal for the start of the pre-quota determining period. In our present day economy this is not a great deal of metal; it would not have indicated an oversupply of slab zinc in this country; and hardly would have been reason for thinking about curtailing zinc metal imports.

If the three-month period required by the present quota bills had started to run, there is no doubt in my mind that our customers, fully aware that our import supplies might be reduced by an impending quota, would begin to look around for other suppliers in order to be sure of sources of zinc alloy once the quota was applied and our production because adversely affected.

Since the beginning of these hearings, arguments have been made against quota legislation on grounds of danger to our national economy and danger to our international trade arrangements. Insofar as zinc is concerned, and particularly zinc alloys, of which over 60% go into die cast parts for the U.S. automotive industry, this quota legislation could be destructive of normal competitive forces in our industry.

We respectfully request that this legislation not be enacted.

Thank you.

The CHAIRMAN. Mr. Donehower, chairman of the executive committee of the Rolled Zinc Manufacturers Association.

We are glad to have you with us.

If you will identify yourself for the record, we will then recognize you.

STATEMENT OF WILLIAM L. DONEHOWER, JR., ROLLED ZINC MANUFACTURERS ASSOCIATION

Mr. DONEHOWER. Mr. Chairman, my name is William L. Donehower. I am vice president of the Matthiessen & Hegeler Zinc Co. of La Salle, Ill., and appear in behalf of the Rolled Zinc Manufacturer Association, which is the national trade association of the six companies in the United States which manufacture 100 percent of the zinc rolling mill products produced in this country for sale. Rolled zinc consists of zinc in sheets, zinc strip, zinc wire and rod, and zinc engraver plates.

ROLLED ZINC INDUSTRY SERIOUSLY INJURED FROM UNFAIR IMPORT COMPETITION

The U.S. rolled zinc industry has been injured seriously from unfair import competition. In the case of zinc in sheets, the U.S. industry has been almost completely ruined. In 1952 imports of zinc in sheets accounted for a quantity of less than 1 percent of domestic industry production. Imports increased both in quantity and as a percentage of domestic industry production until in 1963 imports were equivalent to 56 percent of domestic industry production. By that time the United States manufacturers of zinc in sheets had been reduced to two in number. With only two companies in the business, it has not been possible since 1963 to assemble domestic industry statistics without revealing individual company data. Therefore, we are unable to say precisely what is the current percentage of imports in relation to domestic production. Imports of zinc wire have been very substantial, and the threat of increased zinc wire imports is serious. We have not been seriously injured by imports of strip zinc or zinc engraver plates, but we do not want to be seriously injured from this unfair foreign competition.

GRANTING OF TARIFF CUTTING AUTHORITY TO ADMINISTRATIVE OFFICIALS

Unfair import competition problems developed for the rolled zinc and other industries even before the Trade Expansion Act of 1962, and they have been compounded since that time. Particularly, we feel that the 50 percent tariff cutting authority of the 1962 Trade Expansion Act was a mistake.

The rolled zinc industry is a small industry but the problems we have encountered with unfair import competition seem to be comparable to those of the steel industry, the textile industry, the shoe industry, and others. Probably, our industry, the textile industry the shoe industry, and others. Probably, our industry has felt more sharply the consequences of this unfair import competition. Had broadtariff cutting authority been dropped before the 1962 Trade Expansion Act, instead of authorizing much greater power in the 1962 act, we believe that the United States today would be much better off in our national economy, in our balance of trade, and in our balance of payments. Whatever our mistakes may have been in the past and whatever else needs to be done at this time to correct our international trade problems, the first step is not to authorize any further tariff cutting authority. While it is recognized that H.R. 17551 would only provide permission to exercise unused authority granted under the 1962 act, one mistake does not justify another. Please understand this continued authority if granted would have no direct meaningful significance to the U.S. rolled zinc manufacturing industry because the tariffs on all of our rolled zinc products were cut the maximum of 50 percent under the Kennedy round, notwithstanding the ruinous import competition with which our industry has been encountering for some years.

We believe that the administrative authorities under the Kennedy round acted without sufficient regard for the interest of efficient U.S. manufacturers. We believe they should have no further authority to cut duties.

ANTIDUMPING LAW SHOULD BE STRENGTHENED

We consider the U.S. antidumping law to be responsible for some of our problems. One of our members had occasion to make a sale in Canada. Shortly after the merchandise was delivered, the company received a communication from Canadian authorities inquiring if the goods in question had been sold in Canada at a price which was lower than the price for which the product was sold in the United States. The communication notified the U.S. producer that additional duty would be levied in Canada unless the Canadian Government could be supplied with copies of invoices showing the sale of the item on comparable terms in the United States. The company did provide the invoices which closed the matter. We have no criticism of this Canadian procedure but instead agree with it, and believe the policy of our Government should be the same as the Canadian policy rather that that which is the U.S. policy of requiring proof of injury even after dumping has been shown.

Another experience involved an offer from a foreign source to sell to one of our companies zinc metal over a long contract period with the sale price to be a specific amount below whatever might be the current U.S. price for zinc metal. When asked about this offer in relation to its application to antidumping regulations, the foreign source indicated it did not take seriously the possibility of antidumping action by the U.S. Government. We realize that at the Kennedy round new international dumping arrangements were negotiated, and we understand that it is contended that administrative authorities do not need congressional permission for the United States to accept the international arrangements because they would not require a change in the law of the United States. We think the law should be changed and patterned after the Canadian law which imposes upon foreign sellers the burden of proving that the sales do not constitute dumping.

IMPORT QUOTAS AND ORDERLY MARKETING

Aside from improving the antidumping law, long range we believe that the solution must be an orderly marketing approach. Because of the Kennedy round, reasonable import duties have been abandoned, and the only alternate approach seems to be to determine what constitutes a fair share of the market for foreign suppliers of any given item and then to develop a formula which will permit foreign suppliers to expand or contract their sales in the U.S. market in relation to the total U.S. market. Specifically, we endorse legislation which would authorize the establishment of import quotas on various items, including rolled zinc items, which are sensitive to unfair import competition. The import quota of any item should increase or decrease in relation to the historical share this item has had as a percentage of the U.S. market. H.R. 16936 by Representative Sydney Herlong of this committee would accomplish this objective, and we support it. The foregoing statement of support for the Herlong bill represents the thinking of five of our six member companies. The sixth company takes the position that before quota legislation is resorted to, such as the Herlong bill, the United States first should levy a border tax, adopt the Canadian policy regarding dumping, and overall develop a sounder U.S. fiscal policy.

EAST-WEST TRADE

The subject of East-West trade is not a new one, and we continue to hear recommendations to expand East-West trade. While we question the wisdom of the application of the most-favored-nation rule to countries which are not a member of GATT, particularly we are opposed to the application of the most-favored-nation rule to Communist countries.

It is the application of most-favored-nation treatment to Communist Yugoslavia which has caused ruin to the U.S. zinc in sheets industry and is causing great concern regarding injury to other rolled zinc items.

Aside from the moral issue of the United States offering the same favorable trade terms to Communist countries as it does to genuinely friendly nations, such action is unusually harsh on U.S. manufacturing industries which must operate on a sound economic basis and sell at prices based upon costs. Sales from Communist countries do not have to be based upon costs but may be sales at prices determined by the Communist country government concerned considering only the relative importance and need of foreign exchange. Our industry has been particularly aware of this situation.

For some years the bulk of zinc-in-sheets imports has come from Yugoslavia. Total zinc-in-sheets imports in 1952 were less than 100,000 pounds. Then, zinc-in-sheets imports increased every year except one year through 1963 when they exceeded 2,800,000 pounds. By this time U.S. manufacturers of zinc in sheets had been reduced to two in number and then imports oddly enough tended to ease slightly in volume until 1967 when suddenly imports were reduced by more than half from 1966. This is a very interesting situation. Total imports for 1966 of zinc-in-sheets were 2,236,852 pounds of which 1,995,027 pounds were of Communist Yugoslavian origin, with Belgium, the Netherlands, West Germany, and the United Kingdom accounting for the remainder totaling 241,825 pounds. For 1967, however, imports of zinc-in-sheets from Yugoslavia were reduced by more than two-thirds or from 1,995,027 pounds to only 635,009 pounds. Meanwhile, the imports from the other four countries; namely, Belgium, the Netherlands, West Germany, and the United Kingdom, all increased significantly; and in addition, Italy entered the picture shipping a significant quantity of zinc-in-sheets to the United States. The increased shipments from the four countries and the entering of the market by Italy in 1967 clearly indicate the continued attractiveness of the U.S. market to foreign suppliers, but apparently the Communist Government of Yugoslavia decided there were other items even more attractive; and, therefore, shipped to the United States less than one-third of the zinc-in-sheets in 1967 as it shipped in 1966.

For the long pull, however, it is now apparent that Communist Yugoslavia has an interest in taking over the rolled zinc market in the United States. Recently, other officials of my own company were contacted through the U.S. State Department in behalf of Yugoslavian interests. They requested permission to visit our zinc rolling mill manufacturing facilities in LaSalle, Ill. We granted them this permission on a reciprocal basis, and we already have been visited by Yugoslavian officials. They have stated that Yugoslavia not only is interested in increasing its sales of rolled zinc in the United States from its current manufacturing facilities, but is interested in constructing a new strip mill and in shipping zinc strip and zinc wire to the United States.

The unfairness of the United States extending most-favored-nation treatment to Communist countries is apparent because we have on one hand U.S. manufacturers who must base their prices on their costs and then compete with goods from a foreign country not necessarily priced on an economic basis but at a price which the particular Communist Government concerned decides is the price at which it will sell to best effect its overall balance-of-trade situation.

In conclusion, our recommendations are as follows:

First that the United States should wise up to the fact that its policy of some years of widespread duty cutting has been unsound in the interest of the United States and that further duty cutting authority should not be granted.

Secondly, the U.S. antidumping policy should be changed so as to be patterned after the Canadian policy which places upon the foreign shipper the burden of proof that a given shipment does not constitute dumping.

Thirdly, there should not be encouragement to expand East-West trade but to the contrary most-favored-nation treatment should be withdrawn from Communist Yugoslavia and Poland and extension of most-favored-nation treatment to any Communist country should be prohibited.

Lastly, there should be enactment of orderly marketing legislation, such as H.R. 16936 by Representative Herlong, to authorize the establishment of import quotas in the case of products threatened with unfair import competition.

The CHAIRMAN. We thank you, Mr. Donehower, for bringing to the committee the views that you have expressed.

We appreciate your cooperating with the committee.

Are there any questions?

Mr. CURTIS. Yes.

The CHAIRMAN. Mr. Curtis.

Mr. CURTIS. I think there is an obvious answer to this question, but I want to be sure.

Yugoslavia's zinc industry is, I presume, owned by the Government, isn't it?

Mr. DONEHOWER. Yes, sir. We assume that at least the Government has control of the Yugoslavian zinc industry.

Mr. CURTIS. It would almost be axiomatic that the Government could subsidize exports, if it wanted to; wouldn't it?

Mr. DONEHOWER. We believe that they have the power to dictate the selling price of rolled zinc commodities that are exported to the United States.

Mr. CURTIS. It would be interesting to see whether the countervailing duties provisions could be brought about almost in a prima facie case, where it involves an industry run or owned by a foreign government.

Has your industry looked into this at all?

Mr. DONEHOWER. Sir, it is our opinion that countervailing duties would be cumbersome to impose, or to have imposed.

We really favor a solution such as the Canadian antidumping law, which we feel is simple. It imposes upon the seller the burden of furnishing their invoices to the tariff authorities in order to justify any sales made in that country.

Mr. CURTIS. Well, what you are really saying is that the Canadians have gone the opposite direction from your advice, because Canada has a tentative agreement to adopt the other procedure, and start imposing damages. But the countervailing duty doesn't require the proof of damages.

That is why I asked if your industry, or your company, had thought in these terms.

You say it is cumbersome. It is being employed now. I don't think it is so cumbersome. It looks like our administrators have not been utilizing it, but it does depend upon companies registering complaint. The Government doesn't act without a complaint being registered.

Mr. DONEHOWER. Yes, sir.

Mr. CURTIS. Well, I just wanted to explore it.

Thank you, Mr. Chairman.

Mr. DONEHOWER. Thank you, sir.

Thank you, members of the committee.

The CHAIRMAN. Is Mr. Fletcher present?

Mr. Fletcher.

Mr. Fletcher, to you we really do apologize. We wanted to let you have an example, here, an experience of just how long a Member of Congress works each day.

STATEMENT OF AUBREY FLETCHER, EXECUTIVE VICE PRESIDENT, C. TENNANT SONS & CO., OF NEW YORK

Mr. FLETCHER. I appreciate your staying this late to hear me, sir.

The CHAIRMAN. If you will identify yourself for the record, we will be glad to recognize you.

Mr. FLETCHER. I have a full statement, which I would like put in the record.

The CHAIRMAN. Without objection, so ordered.

Mr. FLETCHER. I will read excerpts from it, and try to remain within the 5 minutes which were allotted to me, which will reassure you gentlemen.

My name is Aubrey Fletcher. I am executive vice president of C. Tennant Sons & Co., of New York, and I am pleased to have this opportunity to appear before you to present my company's general views on the matter of lead and zinc import quotas, and our specific views on H.R. 51.

C. Tennant Sons & Co., of New York, is an American corporation with headquarters in New York City. As merchants engaged in foreign commerce for over 100 years, and in the trade of nonferrous metals and ores for nearly 50 years, we wish to submit this statement registering our opposition to lead and zinc import quotas.

1. Record of Tariff Commission's opposition to lead and zinc quotas:

Over the past 15 years or so, a great number of hearings have been held, some before the Tariff Commission, and others before committees of Congress, in order to study various proposals designed to provide added protection for the domestic lead-zinc industry.

As a result, in 1958, a system of import quotas was imposed by the administration, in the hope that they would provide the domestic industry with the protection they were seeking; but after 7 years, they were removed, having failed in their objective.

The Tariff Commission, which has studied the lead-zinc situation exhaustively, and on many occasions over the past 15 years, has expressed itself fully on the unsuitability of import quotas as a means of protecting the domestic lead-zinc industry.

The Commission first expressed an adverse opinion on lead and zinc quotas 14 years ago, in its report to the President of May, 1954, page 30.

Subsequently, Commissioners Sutton, Jones, and Dowling devoted 31 pages in the Commission's report of April 1958 to a thorough and explicit statement of their findings, which constitute an excellent summation of the reasons why quotas would be undesirable and harmful to the U.S. lead-zinc industry.

In their report to the Congress, dated March 1960, page 159, and made pursuant to Senate Resolution 162 of the 86th Congress, the Tariff Commission again expressed their objections to quotas and commented that:

> Import Quotas are prejudicial to the establishment of domestic lead and zinc mining operations on a sound and, more particularly, stable basis.

In a later report to Congress, in May 1962, page 48, and made pursuant to Senate Resolution 206 of the 87th Congress, after some 3½ years operation under the then existing quotas, the Tariff Commission concluded: "that import quotas had not proved to be a satisfactory means of curtailing imports of lead and zinc."

The record shows that the weight of all the evidence over the years has been consistently and overwhelmingly against import quotas as a means of protection for lead and zinc.

2. Widespread consumer opposition to lead and zinc quotas:

There is a considerable degree of opposition to lead and zinc import quotas in the domestic consuming industries.

The Independent Zinc Alloyers Association and the American Die-Casters Association, who together speak for a major segment of the zinc consuming industry, have repeatedly expressed their objections to such measures to various Government agencies.

The Association of American Battery Manufacturers and also a group of tetraethyl manufacturers, who all together represent 54 percent of the lead consumption in this country, also filed statements with the Senate Committee on Finance, and with the Senate Committee on Interior and Insular Affairs, expressing their objections to the lead and zinc quota bills.

Their opposition is on the public record, so we will not attempt to speak for them here.

I have a paragraph here on national security, which I think was covered by Mr. Johnson's testimony earlier, so that I won't repeat it.

I don't intend to read all of our objections to the specifics of H.R. 51. I will just read one objection, since it pertains in part to a question Mr. Schneebeli asked.

There is no reason to believe that, in practice, H.R. 51 would work any better than the import quotas established in 1958, and we object to it for the following reasons:

As the earlier quotas conclusively proved, it is simply not possible to insulate the U.S. market from the outside world market, because the United States inevitably depends on imports for part of its lead and zinc requirements.

In fact, the ineffectiveness of quotas is demonstrated by the fact that in 1962, 3 years after the previous quota system was imposed, the lead price in the United States sank to 9.50 cents, its lowest level in 16 years.

3. Fundamental objections to lead and zinc import quotas:

Lead and zinc are international commodities in which prices are governed by a worldwide law of supply and demand, and unless a country is virtually independent of outside markets, it cannot permanently insulate itself from outside influences by quotas, duties, or by any other artificial means.

Since the United States depends on imports as a matter of necessity for a substantial portion of its needs of lead and zinc, it follows that prices in this country are bound to be affected by outside world prices.

To try to legislate against the law of supply and demand or to attempt to support the domestic mining industry by governmental restrictions on a long-term basis is futile, and the record of the past 20 years clearly demonstrates this.

One of the main reasons for this is that lead and zinc are not manufactured items. They are basic raw materials for industry. Lead and zinc mines cannot be artificially created or artificially located. The ore can only be mined where it is found, regardless of geographical boundaries.

The basic fact is that the United States is not now, and does not expect to be in the foreseeable future, self-sufficient in lead and zinc mine production.

Quotas will not put ore in the ground where it does not already exist.

Furthermore, as findings of the Tariff Commission have already determined, lead and zinc imports are not a matter of cheap labor or low manufacturing costs abroad. The governing factor in the economics of mining is the grade of ore in the ground and the nature of the ore body.

I will stop there, if I may, sir. I would just like to add one comment, which is not part of my printed testimony.

There have been certain suggestions, and I believe something like the Herlong bill is one, which I would call blanket type suggestions, which might cover all commodities under certain circumstances.

I would very much wish to go on record as expressing our opposition to this type of blanket protection for any industry.

We believe that the problems confronting each industry, and we have heard quite a lot, or I have, today, of the nature of steel and other products, are so very different that I think it is most important that each industry be dealt with on its own merits, and not lumped together under any blanket bill.

I think that would be a catastrophe.

Thank you very much, gentlemen. I appreciate you having stayed in late in the day to hear me.

(Mr. Fletcher's prepared statement follows:)

STATEMENT OF AUBREY FLETCHER, C. TENNANT, SONS & CO., OF NEW YORK

My name is Aubrey Fletcher. I am Executive Vice President of C. Tennant, Sons & Co., of New York, and I am pleased to have this opportunity to appear before you to present my Company's general views on the matter of lead and zinc import quotas and our specific views on H.R. 51. C. Tennant, Sons & Co., of New York is an American corporation with headquarters in New York City. As merchants engaged in foreign commerce for over 100 years, and in the trade of non-ferrous metals and ores for nearly 50 years, we wish to submit this statement registering our opposition to lead and zinc import quotas.

1. *Record of Tariff Commission's Opposition to Lead and Zinc Quotas*

Over the past 15 years or so a great number of hearings have been held, some before the Tariff Commission and others before Committees of Congress, in order to study various proposals designed to provide added protection for the domestic lead/zinc industry. As a result, in 1958 a system of import quotas were imposed by the Administration in the hope that they would provide the domestic industry with the protection they were seeking, but after 7 years they were removed having failed in their objective.

The Tariff Commission, which has studied the lead-zinc situation exhaustively, and on many occasions over the past 15 years, has expressed itself fully on the unsuitability of import quotas as a means of protecting the domestic lead/zinc industry.

The Commission first expressed an adverse opinion on lead and zinc quotas 14 years ago in its report to the President of May 1954 (Page 30). Subsequently, Commissioners Sutton, Jones and Dowling devoted 31 pages in the Commission's report of April 1958 to a thorough and explicit statement of their findings, which constitute an excellent summation of the reasons why quotas would be undesirable and harmful to the U.S. lead-zinc industry.

At that time the Commissioners stated (Page 85 of their Report) "we reject quotas as a feasible remedy in this instance" and in the next paragraph they go on to state that in their opinion "the imposition of quotas would be definitely harmful to the best interests of domestic lead and zinc producers."

In their report to the Congress dated March 1960 (Page 159), and made pursuant to Senate Resolution 162 of the 86th Congress, the Tariff Commission again expressed their objections to quotas and commented that "Import Quotas are prejudicial to the establishment of domestic lead and zinc mining operations on a sound and, more particularly, stable basis."

In a later report to Congress in May 1962 (Page 48) and made pursuant to Senate Resolution 206 of the 87th Congress, after some 3½ years of operation under the then existing quotas, the Tariff Commission concluded "that import quotas had not proved to be a satisfactory means of curtailing imports of lead and zinc."

A substantial portion of the domestic lead-zinc industry has supported the Tariff Commission in these views. In a petition dated November 24, 1959, six domestic lead and zinc smelters requested a review of the Escape Clause action on lead and zinc. They generally took the position that import quotas were not a suitable means of protection for the industry and that "the maintenance of quotas which arbitrarily limit supplies may prove a dangerous course to follow" (Page 4 of the Petition).

The record shows that the weight of all the evidence over the years has been consistently and overwhelmingly against import quotas as a means of protection for lead and zinc.

2. *Widespread Consumer Opposition to Lead and Zinc Quotas*

There is a considerable degree of opposition to lead and zinc import quotas in the domestic consuming industries. The Independent Zinc Alloyers Association and the American Die-Casters Association, who together speak for a major segment of the zinc consuming industry have repeatedly expressed their objections to such measures to various Government agencies. The Association of American Battery Manufacturers and also a group of Tetra-Ethyl manufacturers (who all together represent 54% of the lead consumption in this country) also filed statements with the Senate Committee on Finance and with the Senate Committee on Interior and Insular Affairs expressing their objections to the lead and zinc quota Bills. Their opposition is on the public record so we will not attempt to speak for them here.

3. *National Security Is Not Involved*

The preamble to H.R. 51 states that one of its objectives is "to assist in the National Defense". There are, however, well over one million tons each of lead and zinc in the National Stockpiles and the O.E.P. has declared all this tonnage as surplus, having fixed the National Defense requirement on both metals as zero for stockpile purposes. Furthermore, two of the world's major producers, Canada and Mexico, are our neighbor countries with rail supply lines in this country.

We do not see therefore that import quotas for lead and zinc can be justified on the grounds of National Defense.

4. *Specific Objections to H.R. 51*

There is no reason to believe that, in practice, H.R. 51 would work any better than the import quotas established in 1958 and we object to it for the following reasons:

(a) As the earlier quotas conclusively proved, it is simply not possible to insulate the U.S. market from the outside world market because the U.S. inevitably depends on imports for part of its lead and zinc requirements. In fact, the ineffectiveness of quotas is demonstrated by the fact that in 1962, three years after the previous quota system was imposed, the lead price in the U.S. sank to 9.50 cents, its lowest level in 16 years.

(b) The quotas under this Bill would be imposed or removed, not at the decision of the Government, or some impartial agency, but by the domestic smelters themselves, who alone can control the disposition and levels of their stocks. This means the domestic smelters, whose stocks only represent part of total market stocks, themselves would have the power to decide when the metal quotas should come on and when they should come off, as well as having the power to control the concentrate quotas. This seems to us a new and dangerous precedent to establish in international trade matters and we consider it to be one of the most objectionable aspects of this Bill.

(c) This form of quota discriminates against those overseas suppliers who are geographically located farthest away. Tonnage which is eligible for entry at the time a steamer booking is made may be excluded by the time it arrives at the U.S. port, if a long sea voyage is involved, whereas other shippers located close to the U.S. would suffer no such disadvantage.

(d) The allocation of the lead quota 50% to ore and 50% to metal is a new and arbitrary division for which there is no historical basis in recent years, and such a 50/50 division would operate with unusual severity against the exporters of metal.

(e) The proposed quotas would involve extremely severe reductions for both lead and zinc metal imports. Although the Bill appears to indicate a cutback to an arbitrary 80% of previous levels under the formulas proposed we estimate that in practice lead metal imports could be reduced to less than 50% of the 1966 levels and zinc metal imports could be reduced to less than 45% of the 1966 levels. In fact, the level of the metal quotas under H.R. 51 would probably be much less than the metals quotas which extisted from 1958–1965 (which were themeselves a reduction from the 1953–1958 level of imports), although U.S. consumption has greatly increased since that time. We see no justification for such a severe cutback on quotas which are supposedly designed as a stand-by measure.

Furthermore, very few countries would have their own quotas under this Bill. In the case of zinc metal, for example, only one country would be likely to have its own quota, and in the case of zinc concentrates, only two countries presently appear eligible for a quota of their own. In the case of lead concentrates, only three countries may be eligible. This denial of individual country quotas is also more restrictive than the 1958–1965 quotas and would probably generate even greater difficulties.

To enact such restrictive and reduced quotas would be, in our view, a backward and most punitive step, for the U.S. consumers as well as overseas shippers.

(f) An acute problem would arise in trying to implement long term contracts under such a restrictive quota scheme. A domestic consumer buying foreign metal would never know in advance how much material they could count on receiving from their foreign suppliers. Since the United States domestic mines cannot supply this country's total requirements, many of our domestic consumers must depend to a large extent on imports whih they frequently purchase under long-term contracts. The uncertainty such quotas would cause with respect to their future import supplies would make it very difficult for them to run their business in an efficient manner. We can think of nothing more likely to discourage consumers from using lead and zinc.

5. *Fundamental Objections to Lead and Zinc Import Quotas*

(a) Lead and zinc are international commodities in which prices are governed by a world-wide law of supply and demand and unless a country is virtually independent of outside markets it cannot permanently insulate itself from outside influences by quotas, duties, or by any other artificial means.

Since the United States depends on imports as a matter of necessity for a substantial portion of its, needs of lead and zinc, it follows that prices in this country are bound to be affected by outside world prices. To try to legislate against the law of supply and demand or to attempt to support the domestic mining industry by Governmental restrictions on a long-term basis is futile and the record of the past 20 years clearly demonstrates this.

One of the main reasons for this is that lead and zinc are not manufactured items. They are basic raw materials for industry. Lead and zinc mines cannot be artificially created or artificially located. The ore can only be mined where it is found, regardless of geographical boundaries. The basic fact is that the U.S.A. is not now and does not expect to be in the foreseeable future, self-sufficient in lead and zinc mine production. Quotas will not put ore in the ground where it does not already exist.

(b) Furthermore, as findings of the Tariff Commission have already determined. lead and zinc imports are not a matter of cheap labor or low manufacturing costs abroad. The governing factor in the economics of mining is the grade of ore in the ground and the nature of the ore-body.

(c) Three of the countries which have traditionally supplied a major part of U.S. lead and zinc import requirements are Australia, Canada and Mexico, and these three countries already suffer from generally unfavorable balances of trade with the U.S. In other words, they are already buying from us more than we are buying from them, and they have been doing so for several years now.

Over the four years 1964–1967 inclusive—

Australia's trade deficit with the U.S. has been approximately $400 Million per year and was $483 Million in 1967.

Canada's trade deficit was approximately $800 Million per year, although it dropped to about $80 Million in 1967.

Mexico's trade deficit has been approximately $400 Million per year, and was $474 Million in 1967.

Trade between friendly nations cannot be a one-way street and if we reduce the ability of our friends and allies to sell to us, it follows that we correspondingly reduce their ability to buy from us.

The CHAIRMAN. You have completed your statement?

Mr. FLETCHER. Yes, I have.

Thank you, sir.

Mr. SCHNEEBELI. I have a question.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Fletcher, what percentage of our imports come from Mexico and Canada? You are implying that they are major suppliers?

Mr. FLETCHER. Yes, they are quite major suppliers.

In the case of lead and zinc, they are different. I don't remember the figures.

Mr. SCHNEEBELI. Could you supply them for the record?

Mr. FLETCHER. I would be glad to supply them for the record.

I would guess that in each case they must be between 10 and 20 percent apiece.

Mr. SCHNEEBELI. But combined, they are not as much as 50?

Mr. FLETCHER. In the case of zinc, they may be.

Canada and Mexico together certainly will supply 50, I think possibly more, of our total zinc imports.

In lead, I don't remember the numbers in my head. I will be glad to supply them. (See pp. 2319 and 2320.)

Mr. SCHNEEBELI. Do most of the rest of the imports come from the Western Hemisphere?

Mr. FLETCHER. The four main suppliers are Canada, Mexico, Peru, and Australia.

Mr. SCHNEEBELI. Thank you.

The CHAIRMAN. Here is some material on that.

In 1967, just using 1 year, the amount from Canada was 277,847 short tons.

Does that sound about right?

Mr. FLETCHER. It could be. It depends, Mr. Mills, whether you are putting ores and concentrates together with metal. We import in both forms.

The CHAIRMAN. This is zinc ore, and zinc-bearing materials.

Mr. FLETCHER. Not just zinc metal, itself.

I don't remember, I am afraid.

The CHAIRMAN. That would presumably be the total of zinc. It probably would include zinc oxides.

Mr. SCHNEEBELI. He said he would supply it for the record.

The CHAIRMAN. On the same basis, in 1967, Mexico supposedly shipped about 105,279 short tons; Peru, about 45,274.

This shows a total of 457,430 short tons from all countries in 1967. Is that about right? This shows a total.

Mr. FLETCHER. 457,000?

The CHAIRMAN. 457,430 short tons.

Mr. FLETCHER. Yes, I would say that sounds about right, to me. It might well be in the range of 400,000 to 500,000 tons, I would think.

Mr. SCHNEEBELI. The reason for my question is obvious, because I think it has a bearing on the strategic stockpile, and thereby accessibility to the raw material, and secondly, the reason for my question is, if we get into any further difficulty internationally, whether any of our imports come from nations with whom we are unfriendly. That is the main reason for my question.

Mr. FLETCHER. We do get some lead, and I think some zinc, from Yugoslavia, but not a lot. Most of them come from those areas.

Mr. SCHNEEBELI. Mostly from friendly countries.

The CHAIRMAN. It says lead ores and other materials, total from all countries in 1967, 144,642 short tons. Canada, 41,794 short tons.

Mr. FLETCHER. You are on lead, now?

The CHAIRMAN. And lead, Peru, 40,321 short tons.

This is all in 1967.

Australia, 37,879 short tons. We get some from Bolivia, Honduras, the Republic of South Africa.

Mr. FLETCHER. I wonder whether you would like to take this sheet. As far as lead goes, the figures are right, here.

The CHAIRMAN. If you have a copy of it.

Mr. FLETCHER. You can take this. I am sure I have others. These are published by the ABMS.

The CHAIRMAN. I will give you the figures on lead, lead ore, lead dross, lead-bearing lead bullions, lead pigs and bar, lead waste, and scrap.

It is the total, I guess, of all lead and lead material, and the same thing on zinc.

Let me complete this.

Zinc ore, zinc-bearing materials, zinc dross, and skimming materials, materials containing by weight over 5 dry ounces per short ton, over 100 troy ounces of precious metal.

That is not it.

Mr. FLETCHER. I think the slight difference may be because you appear to be using the Bureau of Mines figures, or Government figures, and I am using the ABMS.

The CHAIRMAN. Both were Bureau of Mines.

Mr. FLETCHER. There might be slight differences. They won't be great, though.

Mr. CURTIS. Mr. Chairman, we ought to have the figures.

The CHAIRMAN. If you have that, leave it with us.

Mr. FLETCHER. I have this one on the lead, and I am very happy to give it to you.

The CHAIRMAN. You don't have one on zinc?

Mr. FLETCHER. I will take a look for it after we are through.

If not, I will mail it to you.

The CHAIRMAN. If you will submit it to us later.

Mr. FLETCHER. I will be glad to. (See p. 2318.)

Mr. CURTIS. For the record, I hope you get the lead and zinc scrap figure.

The CHAIRMAN. That was included, the figure I was given. It says lead, lead waste, and scrap.

Mr. FLETCHER. Scrap is not a material consideration in this context. There is virtually none in the international trade of zinc, and very little in lead, as far as the United States is concerned.

They are not really factors, as far as imports and exports are concerned.

The CHAIRMAN. Do your figures also give us information on the domestic consumption of lead in 1967, as well as the domestic production of lead?

Mr. FLETCHER. Well, the domestic consumption in each case is approximately 1.3 million tons.

The CHAIRMAN. Maybe we should have asked Mr. Johnson.

If you don't have that information to include in the record at this point, I would ask Mr. Johnson to include it in connection with his statement, if he would: 1965, 1966, and 1967, total production of lead and zinc, total consumption of it, and the total imports according to the figures that you gentlemen have.

Both of you put it in.

(The following letter and attachment were received by the committee:)

C. TENNANT, SONS & CO., OF NEW YORK,
New York, N.Y., June 21, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. MILLS: In accordance with the request you made of me at the time I spoke before your Committee on June 18th, I am pleased to enclose herewith statistics on lead and zinc for the years 1965 through 1967 covering—

U.S. mine production.
U.S. smelter production.
U.S. imports
U.S. consumption

The foregoing data have been extracted from the U.S. Bureau of Mines public reports.

Also, enclosed are photostatic copies of the A.B.M.S. figures showing a detailed breakdown as to the origin of U.S. imports of lead and zinc ore and metals over the same three years.

I trust this information meets your requirements, but if there is anything further I can do to be of assistance, please do not hesitate to let me know.

May I again express my appreciation and thanks for the opportunity to appear before your Committee in what was clearly a very crowded schedule.

Sincerely yours,

AUBREY FLETCHER, *Executive Vice President.*

ZINC

[In short tons]

	1965	1966	1967
Mine production	611,153	572,558	546,420
Sme ter production	1,078,021	1,108,329	1,010,736
Imports:			
Ores and concentrates (zinc content)	428,040	521,320	534,091
Slab zinc	152,990	278,175	221,363
Consumption:			
Slab zinc	1,354,092	1,410,197	1,217,829
Ores (mostly for zinc oxide)	122,892	126,696	106,100

Source: U.S. Bureau of Mines Statistics.

LEAD

[In short tons]

	1965	1966	1967
Mine production	301,147	327,368	311,135
Smelter production:			
Primary	431,389	449,739	383,912
Antimonial (lead content)	25,911	21,940	9,969
Secondary	528,358	528,506	521,397
Imports:			
Ores and concentrates—Lead metal	220,672	285,411	363,597
Consumption	1,241,482	1,323,877	[1] 1,240,000

[1] Estimate.

Source: U.S. Bureau of Mines Statistics.

ZINC IMPORTS OF THE UNITED STATES

Bureau of the Census

[In tons of 2,000 pounds]

	Janaury–December, 1965
Zinc ore (content)	425,957
Canada	201,352
Mexico	115,284
Guatemala	3
Honduras	6,786
Bolivia	4,093
Peru	73,720
Germany, West	1,341
Netherlands	
Sweden	
Philippines	9
Algeria	4,408
Morocco	5,037
Republic of South Africa	11,267
Australia	2,667
Zinc blocks, pigs, etc	152,867
Canada	88,431
Mexico	12,787
Peru	10,322
Austria	672
Belgium	8,888
France	
Germany, West	230
Italy	2,128
Norway	
Spain	1,769
United Kingdom	
Yugoslavia	887
Japan	12,996
Congo	12,615
Australia	1,120
U.S.S.R	22
Poland	
Total imports:	
Zinc ore, block, pigs	578,834
Dross and skimmings	2,521
Old and worn out	1,477

	January–December 1966
Zinc ore (content)	521,319
Canada	272,949
Mexico	114,678
Guatemala	318
Honduras	10,775
Argentina	
Bolivia	5,788
Peru	78,254
Germany, West	9,685
Netherlands	3,198
Sweden	410
Iran	
Philippines	25
Algeria	164
Morocco	7,407
Republic of South Africa	12,566
Australia	4,334
Yugoslavia	768
Other countries	
Zinc blocks, pigs, etc	277,389
Canada	116,253
Mexico	22,701
Peru	30,807
Austria	3,260
Zinc blocks, pigs, etc.—Continued	
Belgium	27,468
France	2,148
Germany, West	5,952
Netherlands	276
Norway	4,032
Spain	926
United Kingdom	140
Yugoslavia	551
Japan	19,775
Congo	12,812
Mozambique	
Republic of South Africa	
Australia	24,867
Poland	5,421
Zambia	
Total imports:	
Zinc ore, blocks, pigs	798,708
Dross and skimmings	4,648
Old and worn out	2,181

	January–December 1967
Zinc ore (content)	534,090
Canada	289,387
Mexico	119,135
Guatemala	1,458
Honduras	8,268
Bolivia	9,576
Peru	69,355
Germany, West	6,248
Netherlands	
Sweden	410
Iran	1,203
Philippines	
Algeria	9,264
Morocco	7,600
Republic of South Africa	7,336
Australia	4,837
Yugoslavia	
Other countries	13
Zinc blocks, pigs, etc	221,363
Canada	79,930
Mexico	18,673
Peru	33,567
Austria	
Belgium	16,100
France	1,308
Germany, West	939
Netherlands	
Norway	3,753
Spain	2,095
United Kingdom	1,053
Yugoslavia	474
Japan	41,621
Congo	2,921
Mozambique	1,394
Republic of South Africa	56
Zambia	505
Australia	7,105
Poland	9,869
Other countries	
Total imports:	
Zinc ore, blocks, pigs	755,453
Dross and skimmings	2,704
Old and worn out	1,465

Note: The above figures are as officially reported, however, it is possible that receipts from some of the above countrie may have originated elsewhere and have been transshipped.

Source: American Bureau of Metal Statistics.

LEAD IMPORTS OF THE UNITED STATES

Bureau of the Census

[In tons of 2,000 pounds]

	January–December, 1965
Ore, matte, etc. (content)	122,622
Canada	43,621
Mexico	760
Guatemala	18
Honduras	8,714
Bolivia	097
Colombia	678
Peru	2,419
Sweden	-------
Philippines	104
Morocco	23
Republic of South Africa	570
Australia	26,658
Base bullion (content)	542
Canada	50
Mexico	-------
Bolivia	44
Peru	-------
Germany, West	-------
Australia	448
Pigs and bars	220,673
Canada	31,647
Mexico	73,594
Austria	-------
Peru	26,133
Belgium	197
Denmark	514
France	307
Germany, West	1,653
Netherlands	224
Spain	242
United Kingdom	515
Yugoslavia	28,641
Burma	-------
Japan	4,638
Republic of South Africa	1,000
Australia	51,104
Zambia	-------
Other countries	264
Total imports:	
Ore, base bullion, refined	343,872
Lead scrap, dross, etc. (content)	4,796

	January–December 1966
Ore, matte, etc. (content)	145,458
Canada	54,173
Mexico	625
Guatemala	35
Honduras	11,132
Argentina	-------
Bolivia	11,135
Chile	7
Colombia	444
Peru	41,612
Germany, West	-------
Ireland	-------
Sweden	2,111
Philippines	163
Morocco	13
Republic of South Africa	1,394
Australia	22,614
Base bullion (content)	1,905
Canada	61
Mexico	449
Peru	67
Germany, West	56
Australia	1,272
Other countries	-------
Pigs and bars	285,389
Canada	34,283
Mexico	75,294
Austria	774
Peru	51,593
Belgium	2,535
Denmark	672
France	224
Germany, West	15,498
Netherlands	5,138
Sweden	-------
United Kingdom	3,102
Yugoslavia	31,322
Burma	5,532
Japan	1,719
Morocco	-------
Republic of South Africa	11,986
Zambia	1,148
Australia	44,187
Other countries	382
Total imports:	
Ore, base bullion, refined	432,752
Lead scrap, dross, etc. (content)	7,697

	January–December 1967
Ore, matte, etc. (content)	124,01
Canada	33,424
Mexico	315
Guatemala	197
Honduras	6,513
Argentina	9
Bolivia	13,764
Chile	159
Colombia	561
Peru	36,735
Germany, West	4,371
Ireland	1,995
Sweden	-------
Philippines	38
Morocco	27
Republic of South Africa	358
Australia	25,551
Base bullion (content)	752
Canada	24
Mexico	95
Belgium	447
Other countries	186
Pigs and bars	363,598
Canada	37,237
Mexico	57,270
Austria	-------
Peru	70,377
Belgium	23,281
Denmark	423
France	8,201
Germany, West	49,079
Netherlands	878
Sweden	3,307
United Kingdom	17,682
Yugoslavia	30,479
Burma	2,548
Japan	-------
Morocco	2,413
Republic of South Africa	6,989
Zambia	-------
Australia	53,157
Other countries	277
Total imports:	
Ore, base bullion, refined	488,367
Lead scrap, dross, etc. (content)	10,290

Note: The above figures are as officially reported, however, it is possible that receipts from some of the above countries may have originated elsewhere and have been transshipped.

Source: American Bureau of Metal Statistics, New York, N.Y., May 29, 1968.

Mr. CURTIS. And, Mr. Johnson, as I understand, the lead scrap is important. I realize it doesn't move much internationally, but isn't it pretty important domestically?

Mr. JOHNSON. You are right, sir. About half of the lead that goes into consumption is generated from scrap.

In the case of zinc, it is much smaller, 8 or 9 percent.

Mr. FLETCHER. I think I made this clear, that there was not much movement internationally.

I completely agree with Mr. Johnson's comment about lead scrap.

Mr. CURTIS. You are quite consistent. I just wanted to clarify this for my own purposes.

The CHAIRMAN. Your point was that we do not import or export much of it?

Mr. FLETCHER. That is right.

I would have to say that if you were going to impose controls on the base metals themselves, I would have to say logically you must do something about the scrap, because you would generate a movement that might not otherwise take place.

I hope to see no such quotas imposed, but if you do, you would have to do so to make sense.

Mr. CURTIS. I have one other item.

The CHAIRMAN. Mr. Curtis.

Mr. CURTIS. Maybe you can clear up something the previous witness, Mr. Donehower, said.

He said total imports for 1966, of the zinc, in sheets, and there we are talking about fabricated zinc, were 2,200,00 pounds, of which almost 2 million pounds were of Yugoslavian origin.

Now, Yugoslavia must produce. Where do they get their raw zinc?

Mr. FLETCHER. They mine it and smelt it themselves.

Mr. CURTIS. That is what I thought, but apparently, at least in some form, this is a pretty sizable amount of import coming from one country.

What we don't have here is what is that in relation to total domestic consumption?

It is a relatively small amount, isn't it, 2 million pounds?

Mr. FLETCHER. You mean consumption of zinc metal, or zinc sheet?

Mr. CURTIS. Zinc in sheets.

Mr. FLETCHER. I can't answer that. Mr. Donehower may be able to.

Mr. DONEHOWER. Sir, are you referring here to the relationship of the total?

Mr. CURTIS. I am reading from your page 5:

> Total imports for 1966 of zinc in sheets were 2,236,852 pounds, of which 1,995,027 pounds were of Communist Yugoslavian origin.

I am trying to get this in context of what our domestic consumption is of zinc in sheets.

Mr. DONEHOWER. As a percentage of the zinc in sheet industry, the percentage of sheets?

I am sorry. I missed this last comment that you made, sir.

Mr. CURTIS. I am simply trying to find out what the imports are of zinc in sheets in relation to the U.S. domestic consumption of zinc in sheets.

Mr. DONEHOWER. Approximately 56 percent here, sir, in that particular year.

We do not know at the present time what it is, because past the year that we pointed out, 1963, we have only two domestic producers of zinc in sheets, and we no longer report, so it is a question of exchange of information.

Mr. CURTIS. It is a very sizable portion of the domestic consumption?

Mr. DONEHOWER. Of zinc in sheets, that is right.

Mr. CURTIS. Could I pursue it just a little further?

Has zinc in sheets declined in usage, and isn't used as much by our fabricators? Is that one reason, or what is the reason?

Mr. DONEHOWER. Well, I would say that it is still a substantial item, but it has declined in recent years, due largely, I think, to the fact that most domestic producers have not found it possible to compete with this type competition.

Mr. CURTIS. I see.

Thank you very much.

The CHAIRMAN. Are there any further questions?

If not, we thank you again, Mr. Fletcher, and all of you who have stayed with us so long, representing this discussion of lead and zinc.

Mr. FLETCHER. Thank you very much.

The CHAIRMAN. We apologize for keeping you so long.

Without objection, the committee adjourns until 10 o'clock in the morning.

(The following letters and statements were received, for the record,, by the committee:)

DEPARTMENT OF STATE,
Washington, D.C., July 2, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Department of State has received from the Australian Embassy a statement of the views of the Australian Mining Industry Council concerning the United States market for lead and zinc. The Embassy has requested that the statement be transmitted to the Committee on Ways and Means for its consideration for possible inclusion in the record of the current hearings on tariff and trade proposals.

I am, therefore, pleased to forward three copies of the enclosed statement for your consideration.

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary for Congressional Relations.

SUBMISSION BY THE AUSTRALIAN MINING INDUSTRY COUNCIL

U.S. MARKET FOR LEAD AND ZINC

The Australian Mining Industry Council has been informed that the United States Congressional Committee on Ways and Means was scheduled to commence public hearings on June 4 on the general subject of the balance of trade between the United States and foreign nations. The Council was concerned to note in the press release on the subject that the hearings would cover inter alia:

"(2) proposals relative to imposition of quotas either on an across-the-board basis or on named items or commodities".

Since the press release gives a separate listing to "measures directed at maintaining our favourable balance of trade . . . . . in the context of our balance of payments problems", we can only assume that the hearings under (2) will be concerned with the possible introduction of quotas for protective purposes.

It is the Council's understanding that the rules of procedures of the Committee preclude the Council from submitting evidence to the Committee directly, or from briefing a representative to appear on its behalf. It is therefore taking this opportunity of requesting the Australian Government to put the Council's views to the relevant Departments in the United States Administration.

The Council's comments will be confined to lead and zinc in view of our past experience of quota restrictions in the United States market on these commodities and of the moves which were made towards the end of 1967 to introduce new quota legislation.

In making these representations the Australian Mining Industry Council speaks for over 140 companies engaged in prospecting, mining or mineral processing activities, including all the Australian producers of lead and zinc.

Australia is one of the world's largest producers and exporters of lead and zinc, and the Australian lead and zinc mining and primary smelting industry has a most real interest, either directly or indirectly, in the large U.S. economy as a market for a proportion of their normal output of lead and zinc. The following table sets out the Australian production and export figures for 1963–67, in Thousands of Short Tons. From these figures the importance of the export trade to the Australian industry is readily apparent.

	1963	1964	1965	1966	1967
Mine production of lead [1]	447.1	413.3	397.8	399.4	407.7
Total exports of lead [2]	377.0	339.5	338.8	358.7	380.0
Mine production of zinc [1]	354.2	351.1	359.8	377.1	412.5
Total exports of zinc [3]	257.2	220.5	213.5	264.2	274.0

[1] The mine production figures relate to metal in concentrates.
[2] Lead content of concentrates, lead bullion and refined lead.
[3] Zinc content of concentrates and refined zinc metal.

Source: Monthly Bulletin, "International Lead and Zinc Study Group, 1968, vol. VIII, No. 4." Converted from metric tons.

In subsequent paragraphs we make the following points in regard to the use of import quotas:

They would be inconsistent with the objectives of GATT.

They would result in a widening of the substantial deficit in trade with the United States.

They would seriously affect normal world trading and the world prices of lead and zinc.

Such devices unnecessarily and harmfully distort trading in these metals.

IMPORTS QUOTAS AND THE OBJECTIVES OF GATT

One of the stated objectives of GATT is to facilitate an expansion in the flow of international trade through a reduction in trade barriers. It outlaws the use of quantitative restrictions except under carefully prescribed conditions. While tariffs are recognized as the normal method of protecting a domestic industry, import quotas have been accepted in some quarters as a permissible device to afford temporary protection in an emergency situation. The other main exception, which is subject to the concurrence of the International Monetary Fund, is the use of temporary import quotas as part of a complex of measures designed to redress a critical balance of payments situation.

Under no circumstances could we envisage the International Monetary Fund agreeing to the imposition of import quotas on a selective and restricted list of commodities on balance of payments grounds.

It is known that some new lead/zinc fields are being brought into production in the United States, but there can be no justification under the GATT for the use of import quotas to bolster increased production which a priori could not otherwise be undertaken on an economic basis. Moreover, it is difficult to envisage that investment decisions associated with these ventures would be taken on the basis that import quotas would be imposed.

In the light of these considerations and the welcome initiative which the United States has taken in sponsoring and progressing the Kennedy Round of trade negotiations, it is hoped that the United States would not take a step backwards by imposing quota restrictions.

AUSTRALIA'S DEFICIT IN TRADE WITH THE UNITED STATES

Australia has over the years been buying substantially more from the United States than the U.S. buys from Australia. In fact, Australia is currently buying 25% of all her imports from the U.S. and selling only 12% of her exports to the

U.S. Our poor selling performance in the United States is due in large part to the high wool tariff, severe quota restrictions on dairy products and the uncertainty surrounding access for meat due to the threat of quarantine and other restrictions.

In absolute terms the deficit against Australia in its trade with the U.S. has increased over recent years, as the following table shows:

[In thousands of Australian dollars]

	1963	1964	1965	1966	1967
Australian imports from United States	473,182	647,970	700,346	733,767	803,159
Australian exports to United States	284,880	255,678	290,768	366,682	370,201
Australian deficit	188,302	392,292	409,578	367,085	432,958

Source: Commonwealth Bureau of Census and Statistics.

The dramatic increase in our adverse balance of trade with the United States in recent years is due in the main to stepped up defence procurement since Australia's involvement with the U.S. in Vietnam. The effect on our bilateral balance of payments has not been so marked due to a substantial increase in capital inflow. However, this is now tending to taper off following the measures which the United States has found it necessary to take in defence of her overall balance of payments position.

Australia subscribes to the multilateral approach to international trade and payments and appreciates that any attempt to achieve a bilateral balance with each trading partner would in itself inhibit trade expansion. This Council also realizes that Australia can expect to run an adverse balance of trade with the United States for many years to come, given the current access to the United States' market. However, it would be difficult for the Australian mining industry to accept a situation in which the adverse balance was artificially increased by unilateral action which reduced its access to a major market for lead and zinc.

EFFECT ON THE WORLD LEAD AND ZINC SITUATION

The United States has historically relied upon overseas suppliers for a substantial proportion of its lead and zinc requirements. In recent years, some 30% of United States' consumption of lead and 40% of zinc have been supplied from overseas sources.

Any administrative measures which diverted some of this tonnage away from the United States could be expected to have an immediate and disproportionate effect on prices outside the U.S. and lead to a chaotic marketing situation, which would have wide repercussions in major producing countries such as Australia, Mexico and Peru. It could also lead to retaliatory quotas in other markets on these or other commodities.

Although the objective of any restrictive measures would be presumably to isolate the United States market and sell the total domestic tonnage, past experience under a quota regime has demonstrated that it is impossible to insulate the U.S. market in this way.

QUOTA RESTRICTIONS DISTORT TRADE PATTERNS

Apart from the effect of artificial barriers to trade on the overall world supply/demand situation and on the level and stability of world prices, quota restrictions inevitably lead to a distortion in the pattern of trade with the country applying the restrictions.

The use of country quotas related to an historical base period tends to "freeze" an existing supply pattern irrespective of changes in competitive ability. Moreover, the selection of a particular base period for the administration of the quota regime can in itself operate to the detriment of certain suppliers. Under a free market system, there is no year, or period of years, which can be regarded as "normal".

In the absence of country quotas, but with a restricted quota access to the market, some suppliers can be squeezed out altogether for non-commercial reasons. In other cases, importers will find no incentive to "take a punt" and try a new source of supply.

Under the previous quota arrangements Australian zinc suffered severely. Australian zinc was not given a quota of its own, with the result that U.S. imports of Australian zinc were unpredictably and drastically curtailed.

The United States Tariff Commission summed up the position very succinctly in its report to Congress in May 1962 (Page 48) by stating "that the quotas were discriminatory in their effects, favouring some concerns while creating unusual difficulties for others and that they seriously interfered with normal trade relations".

Not only do quotas in themselves lead to discrimination between suppliers, but modifications to the quota regime can place the more distant suppliers in a disadvantageous position. This was the experience of Australian exporters under the previous quota arrangements.

CONCLUSION

The Australian Mining Industry Council has decided to put these views forward at this time because of its concern at the wide ranging nature of the House Ways and Means Committee hearings. The Council is completely opposed to the use of quota restrictions in world trade in lead and zinc. Its opposition to a quota control system is based on its belief that a free flow of trade in these commodities will maximise consumption and increase the welfare of the industry in all producing and consuming countries. Furthermore, the Council speaks in the light of the practical experience which member companies have had of the earlier United States quota system.

CANBERRA, June 14, 1968.

COPPER & BRASS FABRICATORS COUNCIL, INC.,
New York, N.Y., June 19, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. MILLS: I am sending you herewith a statement on behalf of the domestic brass mill industry in connection with the public hearings which your Committee is now holding on the general subject of the balance of trade between the United States and foreign nations. Additional copies are being sent to the Committee for distribution as indicated in the announcement of the hearings.

Because of the short time remaining for action, we urge the immediate consideration of H. Con. Res. 447 by your Committee, to prevent the International Antidumping Code, which is in conflict with the Antidumping Act of 1921 and which was agreed to on behalf of the United States without the authority of the Congress, from going into effect on July 1, 1968 without Congressional approval.

Yours sincerely,

T. E. VELTFORT,
Managing Director.

STATEMENT OF T. E. VELTFORT, MANAGING DIRECTOR, COPPER & BRASS FABRICATORS COUNCIL, INC.

Purpose of statement.—The statement is being made on behalf of the domestic brass mill industry, to review its experience under the United States Foreign Trade Policy since 1934, and to offer its recommendations.

The domestic brass mill industry.—The brass mill industry is described and its importance in the national economy and national defense emphasized.

The brass mill industry is experienced in United States foreign trade policy.—The industry has been directly involved in important aspects of this policy since enactment of the Reciprocal Trade Agreements Act in 1934.

Why tariffs on brass mill products should not have been reduced.—A comparison of pertinent facts applicable to foreign trade involving brass mill products is presented, which emphasizes the inequity of the tariff reductions in the Kennedy Round.

Changes are needed in our foreign trade policy.—The statistics used by the Government in support of its trade policy are incomplete and when correct data are employed, the unqualified support for the policy fails and the need for changes is indicated.

Definitive action against dumping is imperative.—The ineffective enforcement of the Antidumping Act of 1921 must be remedied by appropriate amendment. In the meantime, immediate action should be taken on H. Con. Res. 447 (S. Con. Res. 38) to prevent the International Antidumping Code, which is in conflict with the Antidumping Act of 1921 and which was agreed to on behalf of the United States without the authority of the Congress, from going into effect on July 1, 1968 without congressional approval.

Recommendations.—In view of its experience with the United States Foreign Trade Policy, the industry offers seven recommendations with the objective of effecting changes in that policy which the industry believes are necessary.

PURPOSE OF STATEMENT

This statement is being made to the Committee on Ways and Means on behalf of the domestic brass mill industry, in response to the announcement on May 19 by its Chairman, that public hearings would be held beginning on June 4, 1968 on the general subject of the balance of trade between the United States and foreign nations. Our statement will address itself to a number of the subjects which the hearings are to encompass, but not necessarily in the order or detail as described in the announcement.

The industry is gratified with the proposal of the Committee on Ways and Means to make such an exhaustive study of the foreign trade policy of the United States. We have for a long time firmly believed and recommended that there be a complete and objective review of this policy by the Congress, to establish what the actual benefits, and also the inequities, of this policy have been and to what extent the results, past and projected, warrant its continuance or modification. Your hearings should provide the opportunity for such a realistic appraisal.

THE DOMESTIC BRASS MILL INDUSTRY

The brass mill industry uses copper in its unwrought form together with quantities of zinc, tin, nickel and other metals, to roll, draw, extrude and otherwise form such basic products as plates, sheets, rod, wire, tube and pipe of copper and its various alloys. It is distinct in its operations and markets from the copper mining and refining segments of the copper industry as a whole, as well as from the electrical wire and cable, foundry and other particular components of the overall industry. Its problems involving foreign trade are apt to be basically different from those of these other segments.

The products of the brass mills are quite essential in the national economy, constituting the raw materials in such vital industries as building, automotive, air conditioning, and electrical and mechanical parts, as well as being indispensible in the national defense. From three percent to thirty percent of its productive capacity for various of its products have been set aside for defense orders. In 1967 about fifteen percent of its shipments, or 370 million pounds, were for military purposes. During World War II, essentially all of its production was preempted for military and related purposes. To serve effectively in this case it had to increase its production 200 percent over the prewar volume. Again, during the Korean episode, up to a quarter of its output was required for military purposes and production had to be increased fifty percent.

The present production capacity of the domestic brass mills is quite ample for both commercial and defense requirements. The Department of Commerce reports that the total shipments of the industry in 1967 were estimated at 2.60 billion pounds, with a value estimated at $2.2 billion, reduced because of the slowdown in the economy and the copper strike that year from 3.33 billion pounds valued at $2.6 billion in 1966.

The mills employ about 40,000 in plants located in 20 states. Through substantial investments in new plants and equipment and the application of the most modern methods, the industry has steadily increased in efficiency, average output per manhour having increased from 30 pounds to 45 pounds in the last decade. Its workers are highly trained and well paid. The average hourly earnings early in 1967 were $3.29 not including 78 cents per hour in supplementary compensation (fringe benefits). A list of the brass mills that are members of the Copper & Brass Fabricators Council, Inc., is attached (Exhibit A). These companies account for 85 percent of domestic brass mill production. More than two-thirds of them could be classified as small business, their number of employees being 500 or less.

The domestic brass mills stand in the same position in their field as steel and aluminum mills stand in theirs. The products are in direct competition with similar products of these industries as well as with plastics. The industry is under constant challenge in its production and marketing procedures to meet this competition. We can have no healthy economy in the United States without full production in the brass mill industry.

Besides its severe domestic competition, the industry has had to meet aggressive competition from abroad. To be marketable, brass mill products must conform with widely accepted standards of physical and chemical characteristics and performance. They must, therefore, be essentially identical whatever the source. There are, of course, no variations of style and appearance on which a competitive choice may be based. Price is a dominant factor. Under these circumstances, the much lower labor and related costs abroad give imports a substantial price advantage. This advantage is enhanced by the availability in this country of large markets for certain widely used brass mill products, established as a result of comprehensive research and promotion by the domestic industry.

THE BRASS MILL INDUSTRY IS EXPERIENCED IN U.S. FOREIGN TRADE POLICY

The brass mill industry has been directly involved in important aspects of our foreign trade policy since the enactment of the Reciprocal Trade Agreements Act in 1934. It has repeatedly informed the appropriate government agencies of the adverse effects of certain features of this policy on the domestic industry, beginning with the British Trade Agreement in 1938. In the course of the multilateral agreements made under the General Agreement on Tariffs and Trade (GATT), the Council has continued to amplify and update its statements. When the President announced the commodities which would be subject to reduction in tariffs in the negotiations in Geneva under the Trade Expansion Act of 1962, brass mill products were included. On that occasion the industry once again pointed out to the government agencies concerned how seriously imports were jeopardizing the integrity of the brass mill industry and that no further reduction in duties was warranted.

WHY TARIFFS ON BRASS MILL PRODUCTS SHOULD NOT HAVE BEEN REDUCED

In connection with the Kennedy Round proposals, our statements to the Tariff Commission (January 30 and March 11, 1964) clearly set forth, with supporting data, the adverse effects which the growing imports were having on the brass mill industry. They emphasized the threat to the industry from these imports if tariffs were further reduced. Similar statements were made to the Trade Information Committee (February 20 and March 11, 1964). In accordance with the request of the Office of the Special Representative for Trade Negotiations, a special technical representative for the brass mill industry was appointed and he was prepared to furnish such further information as might be required during the negotiations. The industry, therefore, cannot be held remiss in keeping these agencies adequately informed.

How unfair the full reduction in the tariffs on brass mill products actually was is clearly indicated in the following exhibits which are attached:

Exhibit B

COMPARATIVE WAGES IN MANUFACTURING INDUSTRIES IN THE U.S. AND IN PRINCIPAL FOREIGN COUNTRIES SHIPPING BRASS MILL PRODUCTS TO THE UNITED STATES

This shows that, whereas the United States has had the least percentage increase in wage rates between 1955 and 1967, its increase in cents per hour, which is the true determinant of labor costs, has been greater than that of any other country, except Sweden. The rates of all of the countries covered continue to be only a fraction of that in the United States.

Exhibit C

IMPORTS AND EXPORTS OF COPPER AND BRASS MILL PRODUCTS

This shows how imports have substantially increased over the years since 1949 (the effective beginning of the multilateral agreements), while exports have remained at a much lower volume.

The impact of imports on the industry can be indicated succinctly as follows: In 1966 the imports totaled 248 million pounds. The shipments of the domestic industry for defense purposes, however, totaled 325 million pounds; and again in 1967, with imports totaling 202 million pounds, the estimated shipments of the industry for military purposes were of the order of 400 million pounds. If the large shipments required from the industry for military purposes because of Vietnam had not greatly exceeded the imports, these obviously would have had a disastrous effect on the domestic industry.

During 1966 and 1967 imports constituted between seven and seven and a half percent of the overall domestic market for brass mill products, with much higher percentages for products in common use, such as copper and copper alloy tubes and certain types of flat products. For example, the market for thin wall brass tube for plumbers brass goods has been taken over almost completely by imports. In the case of copper and copper alloy foil which is needed in the manufacture of automotive radiators and other heat exchanger equipment, imports are now 28 percent of the domestic market.

In the first four months of 1968, imports rose further and constituted about twelve percent of the overall market.

With the great advantage which the exporting countries have in labor and related costs, these growing imports present the industry with a very real threat of serious injury.

Exhibit D

SOME SIGNIFICANT COMPARISONS, 1960–66

This tabulation demonstrates the unfairness of the reduction of 50 percent in the import tariffs on brass mill products, as against the smaller reductions in the import tariffs in countries from which about 90 percent of our imports of brass mill products come. The labor rates in these countries are still only a fraction of those in this country. It also shows how absurdly small our exports to these countries have been in comparison to our imports, mainly because their labor and related costs are so much less than ours, not to mention their higher tariffs and other direct and indirect restrictions. Even this small volume of exports consists substantially of particular products which the mills in these countries choose not to make and products which American managed plants abroad require made to American standards. The reductions which were made in the import tariffs of these countries are of no benefit whatsoever to the brass mill industry and have been made apparently as a trading point.

All this information was available to the Trade Information Committee either in the form of statements submitted to it when the Kennedy Round began or from the special technical representative appointed at the request of the Office of the Special Representative for Trade Negotiations. Our special technical representative, however, was at no time consulted.

Exhibit E

COMPUTATION OF TARIFFS, TSUSA 612.31—COPPER BARS, SHEETS, AND STRIP IN COILS

This indicates the absurd limit to which the negotiations in the Kennedy Round have been carried in order to reduce the tariffs on brass mill products to the absolute limit legally permissible by the Trade Expansion Act of 1962, the example being the reductions in tariffs as calculated for copper bars, sheets, and strip in coils (TSUSA 612.31). The tabulation shows, in Column 4, how the tariffs in cents per pound would ordinarily have been lowered by a ten percent reduction each year, by rounding out to one decimal point. But, by taking advantage of Section 254 of the Trade Expansion Act which gives rounding authority when such action is desirable to *simplify* the computation, a relatively involved computation made it possible to reduce the tariffs, as indicated in Column 6, further then contemplated in the staged 50 percent reduction. This excess reduction in the tariffs of one or two tenths of a cent a pound in a duty already too low to adversely affect imports, and lower than the duties in competing nations, certainly comes close to being ridiculous as well as under the circumstances, extremely unfair.

The unfortunate treatment given to brass mill products in the Kennedy Round, indicates an absence of any serious consideration of the foreign trade impact on the brass mill industry. It is hard to believe that if consultation had been had by our negotiators with experienced men in our industry, or with our special technical representative, familar with the practical factors involved, such an inequitable treatment of our industry would even have been considered.

Apparently the overriding consideration of our negotiators was to accumulate the maximum dollar total on which tariffs were reduced, without much serious attention to individual industries like ours, even though they had already been adversely affected by imports.

CHANGES ARE NEEDED IN OUR FOREIGN TRADE POLICY

Our own experience and what we have learned from the experience of other industries under our foreign trade policy, indicate that a reappraisal of what that policy has accomplished is very much in order. Without any intent to argue the importance of foreign trade as such, there seems good reason to question the inordinate emphasis on expanding our exports without much thought being given to the possible cost to domestic industry from the accompanying increase in unneeded imports. Apparently the unqualified supposition is that without a substantial increase in our exports, our whole economy will go down the drain. Basic in this concept which has governed our foreign trade policy for the last 30 years, are a number of widely publicized but inherently questionable allegations.

There is first the insinuation that those who object to any aspect of our foreign trade policy are opposed to foreign trade as such. This, of course, is absurd. No sensible businessman opposes the indefinite expansion of our foreign trade by any fair means which will not impose an unwarranted burden on domestic industry. He has no desire whatsoever to limit the gains that accrue to financial concerns, exporters and importers in the course of expanding foreign trade. His objections are related only and specifically to the implacable attitude of those particularly concerned with expanded exports against limiting unneeded imports in any way, and their failure to pay adequate attention to the importance of preserving our domestic industry while seeking the expansion of our foreign trade.

A study of the ratio of our foreign trade to our gross national product back to 1921, raises some serious questions as to some broad claims of progress which have been made to support our foreign trade policy. Exhibits F and G, in tabular and graph form respectively, present the essential data. These exhibits show merchandise imports and exports and their total (on an enlarged scale in Exhibit G to show fluctuations), the gross national product, ratios of merchandise imports and exports and their total to the gross national product, and the average percent duty calculated on the value of merchandise imports. No adjustment has been made in the published data to exclude exports under foreign aid and grants paid for directly or indirectly by our taxpayers, or to add the cost of freight and insurance to our imports to disclose their cost landed in the United States; in other words, no adjustments have been made to indicate our true commercial competitive position in our foreign trade.

Even so, this study indicates that our foreign trade has never been so great compared with our gross national product (graphically indicated in Exhibit G), that reasonable adjustments resulting from fair treatment of the import problems of domestic industry would critically affect the integrity of our economy. Since 1948, when our foreign trade policy went into effect (the occurrence of World War II prevents any inferences previous to that time), our foreign trade has varied irregularly between 6.6 percent and 7.8 percent in relation to our gross national product, with no indication of any consistent increase related to the passing of time. In our percentage of free world trade we have also slipped, as shown on Exhibit H. How much more foreign trade now really means to our trading partners, on the other hand, is indicated by the percentages of their foreign trade as related to their gross national products in *1966:* Canada 35 percent, EEC 33 percent, EFTA 35 percent, and Japan 20 percent. It is no wonder that they bargain so astutely for concessions.

It is interesting to note that in the 20's when this country as well as a substantial part of the world enjoyed general prosperity, our foreign trade as related to our gross national product was greater (from 9.2 percent to 9.9 percent) than it has been under our present foreign trade policy, notwithstanding our generous foreign aid following World War II in the form of exports paid for by the taxpayers. During the 20's, moreover, we enjoyed a trade surplus even though our tariffs were considerably higher than in the 50's and 60's. The data also cast doubt on the claim that the Smoot-Hawley tariffs during the early 30's caused a worldwide immobilization of trade and the great depression. In view of the comparative consistency of the relatively small ratio of our foreign trade to our gross national product, it seems a good deal more reasonable to conclude that what happened to our foreign trade than was due primarily not to our high tariffs at the time but to a worldwide collapse due to financial and credit overexpansion. As a matter of fact, it is quite likely, at least for some of our industries, that the high tariffs prevented disaster from the impact of dumped imports during those critical years.

Unfortunately certain government statistics as presented to support our foreign trade policy, are of doubtful validity. The purported substantial surpluses in our international trade since our trade agreements have been in effect, have been offered as an important reason for the extended development of our trade agreements program, including the further reduction of our tariffs. These large surpluses, it has been claimed, contribute favorably and substantially to our international balance of payments. But if the statistics are correctly used, there are no large surpluses.

What is really important in an evaluation of the economic results of our foreign trade are statistics which show whether our foreign trade has been favorable on a business-like basis and whether it shows a tenable competitive position for us. Here we should know to what extent the landed cost of our imports has balanced the payment which our industries received for their exports. But the cost of imports as given in the commonly published government statistics, probably because of the simplicity of determination, is not the landed cost on our shores but the value in the principal markets abroad. Thus it does not include the cost of freight and insurance and whatever additional cost may be involved in bringing the imports from the markets in which the prices have been derived, to our ports of entry.

Further overstatement of our merchandise trade surplus results from the fact that our export figures, as given in the ordinary public press releases, include exports resulting from government grants. These, of course, are financed by the taxpayers. They are not correctly included in our commercial transactions. The significance of this should be clear if we realize that under our present system of publicizing our export volume, we could readily increase our ostensible merchandise trade surplus by raising another billion dollars or two in taxes and using the proceeds to buy goods to be exported to our friends abroad as gifts.

Exhibit I adjusts the commonly publicized United States exports to allow for those financed under the Foreign Assistance Act and Public Law 480 and adjusts imports to a C.I.F. basis. This tabulation, based on figures published by the Department of Commerce for the years 1955 to 1967, inclusive, shows that the balance of our commercial trade properly adjusted gives surpluses much lower than those commonly reported and in fact indicates a deficit in the last two years. This table indicates that we do not have the competitive superiority which is implied in the large surpluses commonly publicized and that our foreign commercial trade as such does not furnish the purported large surpluses to help in our international balance of payments. Furthermore, the contribution of our foreign trade to our gross national product, which consists merely of the balance between our exports and imports, even as reported over the same period has amounted to only from one-half of one percent to one and three-fourths percent of the gross national product. If the balance of merchandise trade is adjusted to a commercial basis, this surplus is reduced by about three-fourths, and its contribution to our gross national product becomes insignificant and in the last two years actually negative.

There are further aspects of our foreign trade which warrant consideration. Exhibit G shows merchandise imports and exports and total trade on a large scale. It indicates the relatively steady growth in imports, as against the irregular growth of exports due certainly in part to our foreign aid and grants. The declining trend in the apparent surplus of imports over exports in the last decade also becomes quite evident. During the last ten years imports have increased by 106 percent, exports by only 51 percent. It is also worth noting that during the last twenty years imports have increased steadily even though the proportion of dutiable goods during the second half of this period increased to sixty percent from the forty percent in the first half. This accounts for the increase in average duty on the value of imports in the second ten years period to about seven percent, from the five and three-quarters percent in the earlier period, in spite of tariff reductions under the trade agreements. The cost advantage which our foreign competitors have had was in many cases obviously sufficient to offset the relatively high duties on the goods which they sent us. The reduction in duties under the trade agreements during the period merely increased their advantage, an ominous portent of what we can expect as the Kennedy Round reductions become effective.

Even more important, however, is the composition of our exports and imports since our trade agreements under GATT became effective in 1948. Since that time our exports of crude materials and foodstuffs have about doubled and our exports of semi- and finished manufactures, of which our much sought after sophisticated equipment has been an important component, have increased about two and one-half times. In the meanwhile, however, our imports of crude materials and foodstuffs, which involve relatively little labor, have also doubled, but our imports of semi- and finished manufactures which do involve considerable labor, have increased *sevenfold.* In other words, the big advantage of lower labor and related costs in many industries abroad has clearly been exploited by foreign countries under the reductions in our tariffs granted in the trade agreements.

These facts are not offered to disparage foreign trade. International trade is necessary and inevitable as exchange of goods takes place between countries which produce goods that others need but do not themselves produce or do not produce as economically. As production and resultant affluence increase in the various countries, this international exchange of goods naturally tends to increase. If there were free exchange of labor, money, and other economic factors among the nations, free international trade would be as natural as it has become among the states of this country. But that is now far from being the situation, and adjustments must be made in our international trade economically and realistically to reflect this fact. If the nations engaged in international trade do not accept this practical necessity and make these adjustments with a reasonable degree of understanding and willingness, then indeed serious strains will develop and "retaliation" will become the name of the game. As the President affirms in his message to the Congress on May 28 on the proposed Trade Agreements Act of 1968, "Reciprocity and fair play are the essential standards for international trade." It is about time for us really to insist on these standards.

The essential point of all this is that, on the whole, the beneficial impact of our foreign trade on our overall economy and the success of our foreign trade policy have not been so overwhelming as to warrant the expansion of our exports to the point where the accompanying increase in unneeded imports endanger important segments of our economy. Stubborn adherence to some of the faulty principles of our foreign trade policy have resulted in inequities which have hurt, in some cases badly hurt, a number of domestic industries such as the brass mill industry, not only by a decline in business, but just as importantly by restricting vital growth. It has led to indifference and inertia on the part of government agencies in recognizing the serious inroads of imports even in vital domestic industries, and has resulted in unduly prolonged studies and investigations without definite results. The general assumption appears to be that any industry seeking relief from imports somehow has an ulterior motive not in the public interest.

DEFINITIVE ACTION AGAINST DUMPING IS IMPERATIVE

The Antidumping Act of 1921 recognized dumping for what it really is; a discriminatory and therefore unfair trade practice involving sales by foreign vendors to buyers in this country at prices lower than they charge at home. This interpretation of dumping is quite consistent with the structure of our domestic laws and regulations against discriminatory pricing as being repugnant to fair competition. But an idea that claims of dumping might and would be used as a non-tariff barrier against imports has gradually developed. It has in recent years apparently become one of the principal aspects of the dumping problem as our latter-day foreign policy steadily edged toward international free trade.

Over the years the enforcement of the Act has become quite ineffective and the efforts to establish a finding of dumping under regulations implementing the Act, a frustrating and futile experience. The available record of dumping cases (1934–1967) illustrates this discouraging situation:

Total cases disposed of	496
Imports negligible or ceased	117
Complaint withdrawn	6
No sales at less than fair value	295
No injury	59
Total	477
Finding of dumping	19

Either a law against dumping is not needed because this unfair practice is really rare (which many injured industries will certainly dispute!) or the law as administered has been ineffective.

The brass mill industry has had two painful instances of how ineffective the antidumping procedures can be, even when the Treasury Department has established presumptive evidence of the price discrimination involved. In one case, for example, copper tube was being sold in this country by a Canadian company at a special discount not available to its Canadian customers. After several years of investigation based on extensive evidence furnished by the domestic industry, during which time, of course, the dumping continued, the Treasury Department confirmed that dumping had occurred. It dismissed the complaint, however, on the company's assurance that dumping had ceased and relied on its promise that it would not be resumed. There is evidence that dumping has since recurred, although somewhat more subtlety managed. But no further action appears practicable under present interpretation of the law and regulations.

A second case involved sheet copper from Yugoslavia, sold in this country at a price offered regularly at ten percent below the competition. Its result was a disastrous price demoralization in the concentrated markets in this country where the Yugoslavian product was sold. As far as the domestic mills were concerned, the prices which they had to lower drastically in a vain attempt to meet this local competition, however, had to be generally offered in a far wider market to avoid alleged price discrimination under our domestic laws. The Treasury again made a preliminary finding of dumping, but ultimately dismissed the case because it could not satisfy itself as to the price in Yugoslavia and had to depend on prices in certain free countries abroad. Also, it reasoned that the quantity involved was relatively small; related to the national market this was true, but the Treasury disregarded the chain effect of the dumping on the entire domestic market.

It was because of experiences of this kind that the brass mill industry strongly supported the efforts of Senator Hartke and Congressman Herlong and more than 100 fellow senators and congressmen in bills successively introduced in the Congress since 1965, to make government action against dumping reasonably effective without opening the door to its possible misuse as a non-tariff barrier. When in 1964 the Treasury did issue new regulations in apparent recognition of the ineffectiveness of the antidumping procedure, these fell considerably short of requirements. The conclusion still remains that remedial legislation is needed. We must, therefore, repeat our urgent request that S. 1726 and the companion bills in the House be passed and so make the Antidumping Act what it should be, an effective weapon against an exceedingly unfair trade practice.

Despite the fact that the Trade Expansion Act of 1962 gave our Kennedy Round negotiation team no authority to deal with dumping, and notwithstanding the adoption in 1966 of S. Con. Res. 100, stating it was the sense of the Congress that no agreement or other arrangements applicable under the laws of the United States should be entered into under the Trade Expansion Act of 1962 except in accordance with prior legislative authority delegated by the Congress, the so-called International Antidumping Code was agreed to in the Kennedy Round, with an effective date of July 1, 1968. In view of a general complaint that the International Antidumping Code was in serious conflict with the Antidumping Act of 1921 and would tend even further to vitiate the effectiveness of our antidumping procedure, S. Con. Res. 38 was introduced, stating it to be the sense of Congress that the provisions of the International Antidumping Code are inconsistent with, and in conflict with, the provisions of the Antidumping Act of 1921; that the President should send the International Antidumping Code to the Senate for its advice and consent; and that the provisions of the International Antidumping Code should become effective in the United States only at the time specified in legislation enacted by the Congress to implement the Code. An identical resolution, H. Con. Res. 447, has been referred to your Committee.

In a report requested by the Senate Finance Committee in connection with S. Con. Res. 38, the Tariff Commission on March 13, 1968 gave as its three to two majority opinion a confirmation of the fact that the International Antidumping Code was inconsistent with, and in conflict with, the Antidumping Act of 1921 and could not be put into effect without appropriate legislation. Logically the Commission would find it impossible to enforce the Code if it is allowed to go into effect on July 1, 1968. Even the Tariff Commission minority, while disagreeing with the overall approach of the majority and recommending a case by case determination, nevertheless agreed that where inconsistencies between the Code and the Act occurred under this circumstances, the provisions of the Act should prevail. Obviously without Congressional action, which the minority fails to mention, its recommendation would be an invitation to further chaos.

In the meanwhile the Treasury published proposed extensive amendments to its Antidumping Regulations to conform them to the International Antidumping Code, and invited the written opinions of those interested. No report has been made on the opinions received, but the Treasury has now issued amended Antidumping Regulations (T. D. 66–148) which after purportedly giving due consideration to these opinions, put the conforming regulations in effect on July 1, 1968. This date is only a short time ahead. Immediate Congressional action is imperative to prevent the International Antidumping Code and the Treasury's new conforming regulations from going into effect as planned. Without such action, the preemption by the Kennedy Round negotiators of the legislative power to amend the Antidumping Act of 1921 without Congressional delegation, would go unchallenged. The resultant legal complications as disputes over the control of our antidumping procedure arose, together with the impracticability of the required simultaneous consideration of the complaints by both the Treasury and the Tariff Commission and the far more restricted interpretation of injury, domestic industry, the market and other pertinent factors, would reduce even further the already slim chance of effective remedial action in bonafide dumping cases.

RECOMMENDATIONS

The experience of the brass mill industry with our foreign trade policy under the circumstances and conditions related above, leads to its firm conviction that a number of changes in this policy are imperative. Accordingly, we urge that the following recommendations be given favorable consideration by the Committee.

1. Some Congressional directive is in order, requiring that our foreign merchandise trade statistics be presented in such a way as to show accurately what we have actually received for our commercial exports and what we have paid for our imports landed in this country, on a businesslike basis. If the statistical data issued by government are adjusted to reflect good commercial practice, the alleged large surpluses in our merchandise foreign trade dramatically fade away; a far more realistic attitude toward our foreign trade policy would ensue than is encouraged by the government's foreign trade statistics as they are now generally publicized.

2. *All* tariff and non-tariff restrictions of all the countries which are members of GATT should be catalogued and made available for review and adjustment on a fair equivalent basis. A generally accepted international standard classification of commodities would appear imperative to permit this to be done fairly and effectively.

3. Whether by direct amendment of the Trade Expansion Act of 1962 or by appropriate provisions in the proposed Trade Expansion Act of 1968, it should be made more readily possible for industries suffering actual injury from imports, or threatened with such injury, to obtain prompt remedial action by the govern-

ment. The availability of adjustment assistance offered in the Trade Expansion Act of 1968 to companies and workers injured by imports is, of course, important and desirable. It does not apply, however, to situations where the integrity of whole industries or substantial parts thereof is threatened, and where these industries are too important in the domestic economy to be liquidated by transfer of their management and workers to other fields. To provide for such situations, it is recommended that the Trade Expansion Act of 1962 be amended in the following respects:

(A) Sec. 201(b)(2) and Sec. 351(b)(1) should be augmented by adding: "provided that a specific rate of duty existing on July 1, 1934 may be converted to its ad valorem equivalent based on the value of imports of the article concerned during the calendar year 1934, and the equivalent ad valorem rate of duty thus determined may be increased by not more than 50 percent."

This is quite essential to provide reasonable relief if this Section needs to be invoked on behalf of an industry like the brass mill industry whose products are largely on a specific duty basis. Taking as an example copper sheet and strip, in 1934 the average price of imports was 33 cents a pound and the duty 6.5 cents a pound. The ad valorem equivalent would be 19.7 percent. In 1967, because of inflation as well as reduction in duty, the average price of imports was 60 cents a pound and the duty 2.95 cents a pound, or an ad valorem equivalent of 4.9 percent. If the maximum 50 percent permissible increase in tariff provided by Sec. 201(b)(2) and Sec. 351(b)(1) as presently worded had to be invoked, the allowable increase in the tariff would be 3.25 cents, and the revised tariff would be 9.75 cents, which would be only 16.2 percent on an ad valorem basis, or less than in 1934. How discriminatory this would be if this same measure of relief were granted a product on an ad valorem basis to begin with is indicated by the fact that a 50 percent increase for that product would raise the tariff to 29.55 percent as against 19.7 percent in 1934, whereas for the brass mill product in this example, the ad valorem equivalent duty would actually be lowered from the same 19.7 percent in 1934 to 16.2 percent!

(B) In Sec. 301(b)(1) the words "as a result in major part of concessions granted under trade agreements" should be deleted for the same reason that it is in Sec. 301(c)(1) and Sec. 301(c)(2) in the proposed Trade Expansion Act of 1968.

(C) To Sec. 301(b)(2) should be added, as one of the economic factors to be taken into consideration by the Tariff Commission as relevant to injury or threatened injury to a domestic industry from increased imports, the words: "decline in normal or prospective growth."

4. For certain industries, as appears to be the accepted fact for some of our agricultural products, quotas may be the only practical approach to prevent injury from unneeded imports. Provision should therefore be made for such relief, with certain criteria stated as presumptive evidence of actual or potential injury. Such criteria might include the percentage that imports have taken of the domestic market which the industry has the capacity to serve, and a ceiling for imports which if exceeded would be economically untenable. Such criteria might be incorporated in Sec. 352 (Orderly Marketing Agreements), by appropriate amendment, or by separate legislation.

5. In any further trade negotiations carried on under the Trade Expansion Act, appropriately selected representatives from industry should be consulted *while* the negotiations are in progress. They should preferably participate in some manner in these negotiations. Industry representatives cannot be of any practical service if they are not kept informed of the give and take during the negotiations. Our attitude in this respect should be as realistic and business-like as that of our foreign trading partners.

6. Prompt favorable action is needed in the amendment of the Antidumping Act of 1921, such as is proposed in H.R. 408 (Mr. Conte) and a number of identical bills which have been introduced in the House (similar to S. 1726 by Mr. Hartke and co-sponsors in the Senate). Such action is quite necessary to provide effective relief from the unfair trade practice of dumping, within the spirit and intent of the Antidumping Act of 1921.

7. Finally and most important, immediate action needs to be taken on H. Con. Res. 447 (companion resolution to S. Con. Res. 38) which states in effect that it is the sense of the Congress that the International Antidumping Code be sub-

mitted to Senate for advice and consent and that its provisions become effective in the United States only at the time specified by appropriate legislation. As July 1, 1968 is the date set for the International Antidumping Code to go into effect, there is only a very short time left to avoid the confusion bordering on chaos which would result from the conflict between the Antidumping Act of 1921 and the International Antidumping Code.

MEMBER COMPANIES, COPPER & BRASS FABRICATORS COUNCIL, INC.

Anaconda American Brass Company, 414 Meadow Street, Waterbury, Connecticut 06702.

Bohn Aluminum & Brass Company, 1400 Lafayette Building, Detroit, Michigan 48226.

Bridgeport Brass Company, 30 Grant Street, Bridgeport, Connecticut 06602.

Bridgeport Rolling Mills Company, Bridgeport, Connecticut 06602.

The Bristol Brass Corporation, 580 Broad Street, Bristol, Connecticut 06010.

Cerro Copper & Brass Company, Division of Cerro Corporation, 16600 St. Clair Avenue, Cleveland, Ohio 44110.

Chase Brass & Copper Co., Incorporated, Tower East Building, 20600 Chagrin Boulevard, Cleveland, Ohio 44122.

Chicago Extruded Metals Company, 1821 South 54th Street, Cicero, Illinois 60650.

Hussey Metals Division, Copper Range Company, Leetsdale, Pennsylvania 15056.

The Miller Company, 99 Center Street, Meriden, Connecticut 06450.

Murdock Manufacturing Co., Inc., Scotch Plains, New Jersey 07076.

The National Copper & Smelting Co., 6075 Cochran Road, Solon, Ohio 44139.

New England Brass Company, Park Street, Taunton, Massachusetts 02780.

The New Haven Copper Company, Seymour, Connecticut 06483.

Olin Mathieson Chemical Corporation, Brass Division, East Alton, Illinois 62024.

Penn Brass & Copper Co., 3837 West 20th Street, Erie, Pennsylvania 16505.

Phelps Dodge Copper Products Corporation, 300 Park Avenue, New York New York 10022.

Precision Tube Company, Inc., North Wales, Pennsylvania 19454.

Reading Tube Co., 350 Fifth Avenue, Empire State Building, New York, New York 10001.

Revere Copper and Brass Incorporated, 230 Park Avenue, New York, New York 10017.

Scovill Manufacturing Company, 99 Mill Street, Waterbury, Connecticut 06720.

Triangle Conduit & Cable Co., Inc., New Brunswick, New Jersey 08903.

Tubing Division, Robintech Incorporated, Mount Kisco, New York 10549.

Volco Brass & Copper Company Kenilworth, New Jersey 07033.

Waterbury Rolling Mills, Inc., East Aurora Street, Waterbury, Connecticut 06720.

EXHIBIT B

COMPARATIVE WAGES IN MANUFACTURING INDUSTRIES IN THE UNITED STATES AND IN PRINCIPAL FOREIGN COUNTRIES SHIPPING BRASS MILL PRODUCTS TO THE UNITED STATES

Country	Sex*	Dollars per hour													Percent increase 1955–67	Percent of United States		Increase cents per hour 1955–67
		1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967		1955	1967	
United States	MF	1.86	1.95	2.05	2.11	2.19	2.26	2.32	2.39	2.46	2.53	2.61	2.71	2.83	52	100	100	97
Canada	MF	1.45	1.58	1.63	1.72	1.80	1.79	1.75	1.74	1.81	1.88	1.97	2.08	2.22	53	78	78	77
United Kingdom	M [1]	.66	.71	.76	.78	.82	.90	.95	.99	1.03	1.11	1.23	1.29	[2] 1.16	76	36	41	50
European Common Market:																		
West Germany	MF	.41	.45	.50	.53	.57	.63	.73	.81	.87	.94	1.03	1.11	1.15	180	22	41	74
France	MF [1]	.41	.43	.39	.38	.40	.43	.46	.50	.54	.58	.61	.64	.69	68	22	24	28
Netherlands	MF [1]	.32	.35	.39	.39	.40	.44	.48	.53	.58	.66	.72	.81	.87	172	17	31	55
Belgium	M	.51	.54	.57	.59	.61	.63	.65	.69	.74	.83	.90	.97	(10)	[3] 90	27	[4] 36	[3] 46
Italy	MF	.30	.32	.33	.35	.36	.37	.40	.46	.54	.59	.62	.64	(10)	[3] 113	16	[4] 24	[3] 34
Sweden	MF	.82	.89	.95	1.01	1.05	1.11	1.20	1.31	1.40	1.54	1.69	1.85	[5] 1.80	120	44	64	98
Switzerland	M [1]	.65	.67	.72	.75	.77	.81	.85	.91	.98	1.06	1.14	1.22	(10)	[3] 88	35	[4] 45	[3] 57
Yugoslavia	MF [6]	(10)	.09	.10	.11	.12	.15	.15	.15	.19	.24	[7] .20	[7] .27	[7] .30	[8] 233	[9] 5	11	[8] 21
Japan	MF [6]	.23	.24	.26	.27	.27	.31	.34	.38	.42	.46	.50	.56	.63	174	12	22	40

*M—Male only; MF—Male and female.
[1] Adults only.
[2] The pound in terms of U.S. dollar was devalued from $2.80 to $2.40 Nov. 18, 1967; based on the old rate of $2.80 per pound the 1967 figure would be $1.35.
[3] 1955–66.
[4] 1966.
[5] Excluding payments in kind and holidays and sick leave payments; this apparently amounted to 21 cents in 1966.
[6] Based on 200 hours worked per month.
[7] The dinars per U.S. dollar were changed July 26, 1965 from 750 to 1,250; and on Jan. 1, 1966 a new dinar replaced the old dinar at the rate of 100 old dinars per new dinar; based on the old rate of 750 dinars per U.S. dollar the 1965, 1966, and 1967 figure would be 33 cents, 46 cents, and 50 cents, respectively.
[8] 1956–67.
[9] 1956.
[10] Not available.

Source: International Labor Office, United Nations Monthly Bulletin of Statistics.

EXHIBIT C

IMPORTS OF COPPER AND BRASS MILL PRODUCTS

In thousands of pounds, metal weight]

Period	Copper				Copper alloys							Grand total, copper plus copper alloys	Monthly average
	Plate, sheet, roll, and strip	Foil	Seamless tube	Total, copper	Plate, sheet, and strip	Foil	Rod	Angles, shapes, and sections	Seamless tube	Wire	Total, copper alloys		
1949	(1)	(2)	20	20,640	(3)	(2)	(3)	(4)	310	20	445	21,085	1,757
1950	(1)	(2)	350	18,329	(3)	(2)	(3)	(4)	1,650	492	12,356	30,685	2,557
1951	(1)	(2)	948	14,973	(3)	(2)	(3)	(4)	1,882	447	14,026	28,999	2,417
1952	(1)	(2)	5,146	22,180	(3)	(2)	(3)	(4)	882	368	33,936	56,116	4,676
1953	(1)	(2)	1,166	12,342	(3)	(2)	(3)	(4)	7,277	326	33,773	46,115	3,843
1954	(1)	(2)	5.268	17,924	5,103	(2)	12,219	(4)	15,154	505	32,981	50,905	4,242
1955	18,259	(2)	11,595	29,884	6,251	(2)	11,644	(4)	20,708	382	38,985	68,869	5,739
1956	16,592	(2)	23,198	39,790	7,454	(3)	15,111	(4)	23,881	802	47,248	87,038	7,253
1957	22,337	(2)	31,396	53,733	6,770	(2)	16,819	(4)	28,431	2,895	54,915	108,648	9,054
1958	37,924	(2)	46,430	84,354	13,708	(2)	19,095	(1)	33,510	2,991	69,304	153,658	12,805
1959	42,490	(2)	51,857	94,347	26,119	(3)	23,985	(4)	38,500	5,992	94,596	188,943	15,745
1960	25,919	(2)	45,121	71,040	26,214	(2)	22,327	(4)	28,148	5,352	82,041	153,081	12,757
1961	14,532	(2)	20,343	34,875	25,335	(2)	17,244	(4)	24,319	3,602	70,500	105,375	8,781
1962	17,509	(2)	13,585	31,094	28,712	(2)	17,887	(4)	29,355	2,713	78,667	109,761	9,147
1963	16,787	5,661	12,169	34,617	30,094	(2)	18,976	262	32,706	3,407	85,445	120,062	10,005
1964	18,685	21,983	13,743	54,411	29,612	(2)	15,782	1,228	40,383	3,831	90,836	145,247	12,104
1965	21,988	25,227	19,550	66,765	29,987	(2)	9,944	791	41,113	1,944	83,779	150,544	12,545
1966	20,788	18,915	51,116	90,819	50,509	13,133	42,953	1,034	46,753	2,321	156,703	247,522	20,627
1967	22,270	22,553	31,549	76,372	47,882	11,627	27,237	827	36,268	1,854	125,695	202,067	16,839
1968:													
Total, 4 mos	24,811	17,992	22,347	65,150	16,741	6,478	5,856	454	15,392	881	45,802	110,952	27,738
January	6,089	4,629	5,355	16,073	5,125	1,417	1,888	102	3,864	127	12,523	28,596	
February	5,805	4,283	5,364	15,452	3,959	1,747	844	64	3,433	275	10,322	25,774	
March	6,013	4,440	5,344	15,797	3,284	1,340	1,410	227	3,371	206	9,838	25,635	
April	6,904	4,640	6,284	17,828	4,373	1,974	1,714	61	4,724	273	13,119	30,947	

See footnotes at end of table.

EXHIBIT C—Continued

Country	Copper: Plate, sheet, roll, and strip	Copper: Foil	Copper: Seamless tube	Copper: Total copper	Copper alloys: Plate, sheet, and strip	Copper alloys: Foil	Copper alloys: Rod	Copper alloys: Angles, shapes, and sections	Copper alloys: Seamless tube	Copper alloys: Wire	Copper alloys: Total, copper alloys	Grand total
APRIL 1968												
Canada	3,194	699	2,903	6,796	1,101	143	99	8	25	82	1,458	8,254
United Kingdom	906	572	61	1,539	456	507	91	8	35	6	1,103	2,642
European Common Market:												
West Germany	251	27	964	1,242	548	25	111	14	3,310	33	4,041	5,283
France	723	116	34	873	687	379	473	16	91	102	1,748	2,621
Netherlands		37		37	347	672	74		247		1,340	1,377
Belgium and Luxembourg	741	5	55	801	223		54		2		279	1,080
Italy	126		46	172	74		60		30		164	336
Total, EEC	1,841	185	1,099	3,125	1,879	1,076	772	30	3,680	135	7,572	10,697
Sweden	150	2,971	91	3,212	233	248				9	490	3,702
Switzerland	23		8	31	240		381	10	100	26	757	788
Yugoslavia	535		339	874	18		269		252		539	1,413
Japan	254	152	1,438	1,844	446				450	15	911	2,755
All others	1	61	345	407			102	5	182		289	696
Grand total	6,904	4,640	6,284	17,828	4,373	1,974	1,714	61	4,724	273	13,119	30,947
IMPORTS OF COPPER AND BRASS MILL PRODUCTS FOR FOUR MONTHS ENDED APRIL 30, 1968												
Canada	12,232	2,899	11,403	26,534	4,217	417	340	182	543	264	5,963	32,497
United Kingdom	2,242	1,807	156	4,205	2,220	2,561	309	73	333	71	5,567	9,772
European Common Market:												
West Germany	1,517	73	3,712	5,302	2,946	25	618	24	11,335	146	15,094	20,396
France	2,804	1,060	181	4,045	2,626	983	1,281	97	159	161	5,307	9,352
Netherlands	5	236	9	250	1,313	1,653	309		258	22	3,555	3,805
Belgium and Luxembourg	1,615	5	69	1,689	1,110		142		40		1,292	2,981
Italy	237		94	331	178		60		116		354	685
Total, KEC	6,178	1,374	4,065	11,617	8,173	2,661	2,410	121	11,908	329	25,602	37,219
Sweden	247	11,452	158	11,857	652	827				56	1,535	13,392
Switzerland	90	1	20	111	425		1,770	53	324	67	2,639	2,750
Yugoslavia	2,438		1,007	3,445	325		746		712		1,783	5,228
Japan	651	275	4,521	5,447	692	12	111		1,160	41	2,016	7,463
All others	733	184	1,017	1,934	37		170	25	412	53	697	2,631
Grand total	24,811	17,992	22,347	65,150	16,741	6,478	5,856	454	15,392	881	45,802	110,952

1 Prior to 1955 census data included copper rod. Subsequently rod was separately reported, but is excluded from this tabulation because predominantly used for electrical wire.

2 Foil not segregated prior to September 1963; 1963 includes four months only; alloy foil is included through December 1965, segregated beginning January 1966.

3 Not segregated prior to 1954.

4 Not segregated prior to September 1963; 1963 covers four months only; includes copper Angles, Shapes and Sections which are infrequently reported in relatively small quantities.

EXPORTS OF COPPER AND BRASS MILL PRODUCTS

[In thousands of pounds, metal weight]

Period	Copper					Copper alloy					Total copper and copper alloy
	Plate, sheet, and strip	Foil	Bars, straight rods, and shapes	Pipe and tube	Total copper	Plate, sheet, and strip	Bar, rod, and shapes	Wire	Pipe and tube	Total alloy	
1949	2,177	(1)	(2)	6,689	8,866	3,859	3,126	2,894	3,148	13,027	21,893
1950	1,163	(1)	(2)	3,976	5,139	1,874	1,731	2,306	2,058	7,969	13,108
1951	1,145	(1)	(2)	4,319	5,464	1,657	1,827	2,892	2,915	9,291	14,755
1952	1,106	(1)	(2)	5,182	6,288	1,851	4,423	1,339	2,801	10,414	16,702
1953	734	(1)	(2)	3,244	3,978	1,283	2,517	559	5,716	10,075	14,053
1954	600	(1)	(2)	2,397	2,997	872	910	753	1,731	4,266	7,263
1955	1,083	(1)	(2)	2,583	3,666	1,434	1,296	724	2,314	5,768	9,434
1956	674	(1)	(2)	3,101	3,775	1,674	1,468	813	2,839	6,794	10,569
1957	529	(1)	(2)	2,708	3,237	1,578	1,170	906	2,923	6,577	9,814
1958	334	(1)	(2)	3,216	3,550	1,109	1,130	655	2,395	5,289	8,839
1959	627	(1)	(2)	1,598	2,225	1,146	1,030	693	2,547	5,416	7,641
1960	1,001	(1)	(2)	1,449	2,450	1,300	1,143	647	2,070	5,160	7,610
1961	710	(1)	(2)	1,897	2,607	1,155	1,315	450	2,687	5,607	8,214
1962	697	(1)	(2)	1,728	2,425	2,274	1,820	665	3,528	8,287	10,712
1963	675	(1)	(3)	2,315	2,990	1,335	1,573	1,123	4,238	8,269	11,259
1964	796	(1)	(3)	2,866	3,662	2,228	2,082	680	2,732	7,722	11,384
1965	1,860	432	2,705	1,789	6,786	6,869	4,146	1,632	3,759	16,406	23,192
1966	621	979	2,121	1,039	4,760	2,387	3,457	2,233	3,863	11,940	16,700
1967	494	1,268	668	1,431	3,861	2,225	4,357	1,821	4,184	12,587	16,448
1968:											
January	11	135	9	42	197	52	187	154	165	558	755
February	29	71	76	73	249	181	179	197	287	844	1,093
March	16	96	7	73	192	151	211	106	318	786	978
April	16	71	5	92	184	229	235	399	364	1,227	1,411
1968, 4 months	72	373	97	280	822	613	812	856	1,134	3,415	4,237

[1] Not segregated prior to January 1965; alloy foil is included.
[2] Segregation available only back to Jan. 1, 1965.

Note: Figures for 1965, 1966, and 1967 revised to incorporate exports of copper bars, straight rods and shapes, now available back to Jan. 1, 1965.

Source: Bureau of Census of United States.

Exhibit D

SOME SIGNIFICANT COMPARISONS,[1] 1960 AND 1966

	United States			United Kingdom			Japan			European Common Market (EEC)			Sweden			Canada		
	1960	1966	Increase	1960	1966	Increase	1960	1966	Increase	1960	1966	Increase	1960	1966	Increase	1960	1966	Increase
Average labor rates in manufacturing (dollars per hour)	2.26	2.71	0.45	0.90	1.29	0.39	0.31	0.56	0.25	0.50	0.80	0.30	1.11	1.64	0.53	1.79	2.08	0.29
Percent of U.S. rates				40	48		14	21		22	30		49	61		79	77	
Foreign trade, brass mill products (millions of pounds):																		
U.S. exports to				0.18	0.39	.21	0.14	0.79	0.65	0.88	1.62	0.74	0.09	0.02	-.07	2	5	3
U.S. imports from				34	26	-8	6	30	24	63	109	46	14	17	3	16	46	30
	Percent																	
Tariffs:																		
Present tariffs (percent)		6.1[2]			10, 15, 20			20, 25			8, 10			3, 5			10, 15	
Reduction in Kennedy round in percent:																		
Sheet and strip		50			47			25			None			None			50	
Foil		50			50			25			20			40			---	
Rod, bar, and shapes		50			20			25			20			None			50	
Wire		50			20			25			20			None			None	
Pipe and tube		50			50			20-25			20			None			50	

[1] Applicable to countries from whom about 90 percent of U.S. imports of brass mill products come.
[2] Equivalent of average duty applied on dutiable value of brass mill products imported during 1966.

Exhibit E

COMPUTATION OF TARIFFS, TSUSA NO. 612.31, COPPER BARS AND SHEETS, AND STRIPS IN COILS

(1) Year	(2) Staging reductions authorized (Sec. 253)[1] (in percent)	(3) Tariff by actual computation (cent/pound)	(4) Rounded to 1 decimal[2] (cent/pound)	5) In percent	(6) As actually rounded (Kennedy Round)[3] (cent/pound)	(7) In percent
1967	100	2.95		100	2.95	100
1968	90	2.655	2.7	90	2.5	85
1969	80	2.360	2.4	80	2.3	78
1970	70	2.065	2.1	70	2.0	68
1971	60	1,770	1.8	60	1.7	58
1972	50	1.475	1.5	50	1.4	47

[1] Trade Expansion Act of 1962.
[2] Normal method of rounding (See USASI Standard Z25.1).
[3] Advantage was here taken of Sec. 254 of the Trade Expansion Act of 1962.

SEC. 254 ROUNDING AUTHORITY (Italic supplied)—

If the President determines that such action *will simplify the computation* of the amount of duty imposed with respect to an article, he may exceed the limitation provided by Section 201(b)(1) or 253 by not more than whichever of the following is lesser:

(1) the difference between the limitation and the next lower whole number, or

(2) one-half of 1 percent ad valorem or an amount the ad valorem equivalent of which is one-half of 1 percent.

Column (4) is obviously the simplest way to reduce the modified tariffs to two-digit values. But the supposed *simplification* allowed by SEC. 254 and actually used, Columns (6) and (7) required the following procedure:

Imports in 1965:

Quantity (pounds)	21, 894, 891
Value	$10, 075, 094
Value per pound (cents)	46. 016
½% ad valorem equals (cents)	0. 23008
Rounded to (cents)	0. 230

90 percent of 2.95 cents (prior rate) equals 2.655 cents.

Permissible reduction computed as above, 0.230 cents.

Reduced rate, 2.425 cents.

For two-digit limitation this would be 2.4 cents.

But 2.4 is less than the one-half percent ad valorem limitation on reduction, so the amount had to be raised again to 2.5 cents.

(This is a simplification?)

Apparently for the tariffs following 1968, the amounts as computed in Column (3) were used, taking only the first two digits.

EXHIBIT F

U.S. FOREIGN MERCHANDISE TRADE AND GROSS NATIONAL PRODUCT

Year	Merchandise imports (in millions of dollars)	Merchandise exports (in millions of dollars)	Total trade (in millions of dollars)	Percent of total trade		Gross national product in current dollars (billions)	Percent of gross national product		Total trade compared with gross national product (in percent)
				Imports	Exports		Imports	Exports	
1921	2,509	4,379	6,888	36.4	63.6	74.0	3.4	5.9	9.3
1922	3,113	3,765	6,878	45.3	54.7	74.0	4.2	5.1	9.3
1923	3,792	4,091	7,883	48.1	51.9	86.1	4.4	4.8	9.2
1924	3,610	4,498	8,108	44.5	55.5	87.6	4.1	5.1	9.2
1925	4,227	4,819	9,046	46.7	53.3	91.3	4.6	5.3	9.9
1926	4,431	4,712	9,143	48.5	51.5	97.7	4.5	4.8	9.4
1927	4,185	4,759	8,944	46.8	53.2	96.3	4.3	4.9	9.3
1928	4,091	5,030	9,121	44.9	55.1	98.2	4.2	5.1	9.3
1929	4,399	5,157	9,556	46.0	54.0	104.4	4.2	4.9	9.2
1930	3,061	3,781	6,842	44.7	55.3	91.1	3.4	4.2	7.5
1931	2,091	2,378	4,469	46.8	53.2	76.3	2.7	3.1	5.9
1932	1,323	1,576	2,899	45.6	54.4	58.5	2.3	2.7	5.0
1933	1,450	1,647	3,097	46.8	53.2	56.0	2.6	2.9	5.5
1934	1,655	2,100	3,755	44.1	55.9	65.0	2.5	3.2	5.8
1935	2,047	2,243	4,290	47.7	52.3	72.5	2.8	3.1	5.9
1936	2,423	2,419	4,842	50.0	50.0	82.7	2.9	2.9	5.9
1937	3,084	3,299	6,383	48.3	51.7	90.8	3.4	3.6	7.0
1938	1,960	3,057	5,017	39.1	60.9	85.2	2.3	3.6	5.9
1939	2,318	3,123	5,441	42.6	57.4	91.1	2.5	3.4	6.0
1940	2,625	3,934	6,559	40.0	60.0	100.6	2.6	3.9	6.5
1941	3,345	5,020	8,365	40.0	60.0	125.8	2.7	4.1	6.6
1942	2,756	8,003	10,759	25.6	74.4	159.1	1.7	5.0	6.8
1943	3,381	12,842	16,223	20.8	79.2	192.5	1.8	6.7	8.4

1944	3,929	14,162	18,091	21.7	78.3	211.4	1.9	6.7	8.6
1945	4,159	9,585	13,744	30.3	69.7	213.6	1.9	4.5	6.4
1946	4,942	9,500	14,442	34.2	65.8	210.7	2.3	4.5	6.9
1947	5,666	14,252	19,918	28.4	71.6	231.3	2.4	6.1	8.6
1948	7,092	12,532	19,624	36.1	63.9	257.6	2.8	4.9	7.6
1949	6,592	11,936	18,528	35.6	64.4	256.5	2.6	4.7	7.2
1950	8,743	10,142	18,885	46.3	53.7	284.3	3.1	3.6	6.6
1951	10,817	14,879	25,696	42.1	57.9	328.4	3.3	4.5	7.8
1952	10,747	15,049	25,796	41.7	58.3	345.5	3.1	4.4	7.5
1953	10,779	15,652	26,431	40.8	59.2	364.6	3.0	4.3	7.2
1954	10,240	14,981	25,221	40.6	59.4	364.8	2.8	4.1	6.9
1955	11,337	15,419	26,756	42.4	57.6	398.0	2.8	3.9	6.7
1956	12,516	18,940	31,456	39.8	60.2	419.2	3.0	4.5	7.5
1957	12,951	20,671	33,622	38.5	61.5	441.1	2.9	4.7	7.6
1958	12,739	17,745	30,484	41.8	58.2	447.3	2.8	4.0	6.8
1959	14,994	17,438	32,432	46.2	53.8	483.6	3.1	3.6	6.7
1960	14,650	20,349	34,999	41.9	58.1	503.8	2.9	4.0	6.9
1961	14,657	20,717	35,374	41.4	58.6	520.1	2.8	4.0	6.8
1962	16,241	21,404	37,645	43.1	56.9	560.3	2.9	3.8	6.7
1963	17,011	23,060	40,071	42.5	57.5	590.5	2.9	3.9	6.8
1964	18,600	26,086	44,686	41.6	58.4	632.4	2.9	4.1	7.1
1965	21,283	27,135	48,418	44.0	56.0	683.9	3.1	4.0	7.1
1966	25,367	29,899	55,266	45.9	54.1	743.3	3.4	4.0	7.4
1967	26,732	31,147	57,879	46.2	53.8	785.1	3.4	4.0	7.4

Source: Historical statistics of the United States, statistical abstract of the United States, survey of current business.

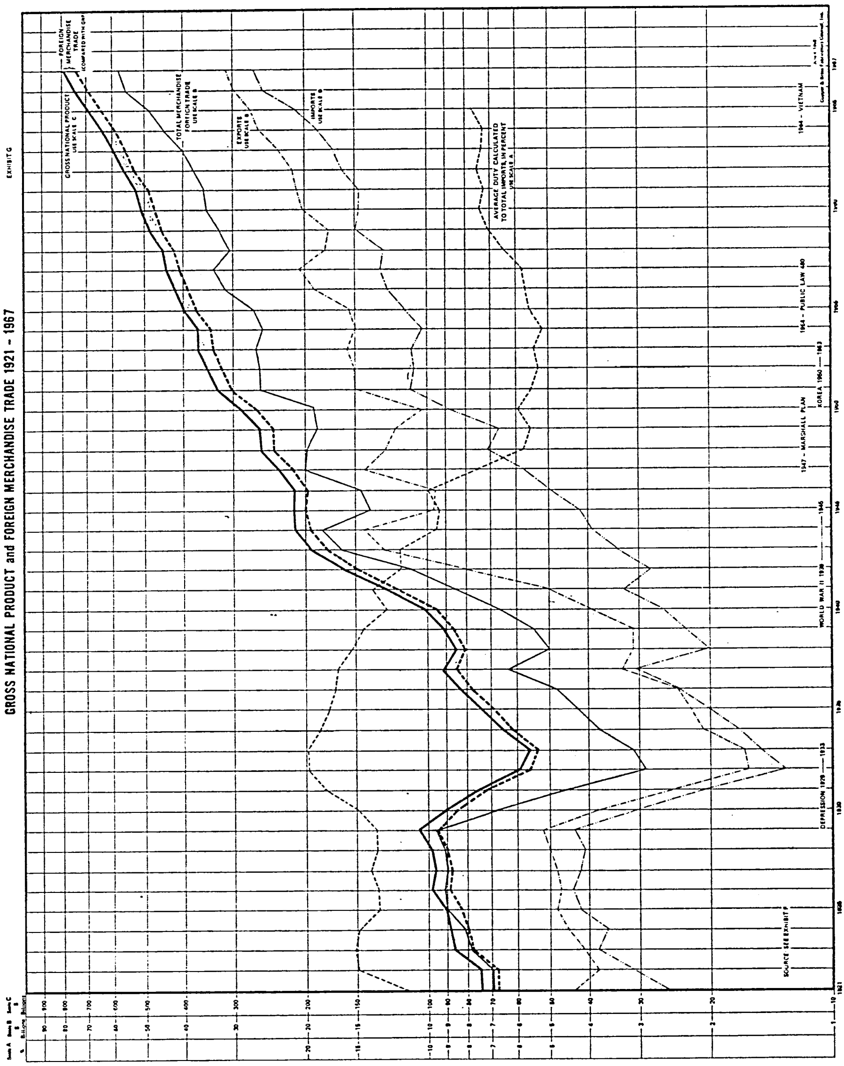

GROSS NATIONAL PRODUCT and FOREIGN MERCHANDISE TRADE 1921 - 1967
EXHIBIT G
GROSS NATIONAL PRODUCT USE SCALE C
FOREIGN MERCHANDISE TRADE (COMPARED WITH GNP)
TOTAL MERCHANDISE FOREIGN TRADE USE SCALE B
EXPORTS USE SCALE B
IMPORTS USE SCALE B
AVERAGE DUTY CALCULATED TO TOTAL IMPORTS, IN PERCENT USE SCALE A
SOURCE SEE EXHIBIT F
DEPRESSION 1929 —— 1933
WORLD WAR II 1938 —— 1945
1947 - MARSHALL PLAN
KOREA 1950 —— 1953
1954 - PUBLIC LAW 480
1964 - VIETNAM

EXHIBIT H

"FREE WORLD" FOREIGN TRADE[1]

[Dollar amounts in millions]

	1958-60 average		1966		Percent of 1958-60	Increase in percentage
	Foreign trade	Percent of free world trade	Foreign trade	Percent of free world trade		
United States	$33,756	15.6	$55,458	14.9	167.3	-0.7
Canada	10,857	5.1	18,867	5.1	173.8	.1
Latin America	16,590	7.8	22,280	6.0	134.3	-1.8
European Common Market	52,123	24.5	106,260	28.5	203.9	4.0
European free trade area	37,660	17.7	61,370	16.5	163.0	-1.2
Japan	7,171	3.4	19,301	5.1	269.2	1.7
Balance of "free world" trade	54,843	25.9	89,264	23.9	162.8	-2.0
Total "free world" trade	212,400	100.0	372,800	100.0	175.5	

[1] "Free world" does not include Albania, Bulgaria, China (mainland), Czechoslavia, East Germany, Hungary, Poland, Mongolia, North Korea, North Vietnam, Rumania, and U.S.S.R., but it does include Yugoslavia.

Sources: Year Book of International Trade Statistics, United Nations Monthly Bulletin of Statistics, United Nations.

EXHIBIT I

TOTAL U.S. DOMESTIC AND FOREIGN MERCHANDISE EXPORTS AND REPORTED EXPORTS FINANCED UNDER THE FOREIGN ASSISTANCE ACT AND PUBLIC LAW 480

[In millions of dollars]

Year	Total values published in U.S. Export Statistics	Foreign Assistance Act			Public Law 480					Total noncommercial exports	Commercial exports	Total imports, f.o.b.	Estimated imports, c.i.f.	Balance of commercial trade (deficit (—))	Surplus of trade or excess of exports as commonly reported (col. 1 minus col. 12)
		Military grant aid	AID loans and grants	Total military grant aid and AID loans and grants	Sales for foreign currencies	Donations	Barter	Long-term dollar credit sales	Total						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1967	31,534	592	1,272	1,864	716	287	314	187	1,504	3,368	28,166	26,732	28,951	—785	4,802
1966	30,320	941	1,129	2,070	834	220	274	239	1,567	3,637	26,683	25,360	27,465	—782	4,960
1965	27,478	779	1,117	1,896	926	253	188	143	1,510	3,406	24,072	21,283	23,049	1,023	6,195
1964	26,508	818	1,115	1,933	1,239	249	123	97	1,708	3,641	22,867	18,601	20,145	2,722	7,907
1963	23,347	920	1,033	1,953	1,162	259	74	51	1,546	3,499	19,848	17,001	18,412	1,436	6,346
1962	21,700	727	737	1,464	1,007	260	137	42	1,446	2,910	18,790	16,251	17,600	1,190	5,449
1961	20,999	810	499	1,309	878	244	181	1	1,304	2,613	18,386	14,658	15,875	2,511	6,341
1960	20,576	949	436	1,385	1,014	171	117		1,302	2,687	17,889	15,014	16,260	1,629	5,562
1959	17,634	1,227	419	1,646	732	143	175		1,050	2,696	14,938	14,994	16,239	—1,301	2,640
1958	17,910	1,543	482	2,025	752	202	65		1,019	3,044	14,866	12,786	13,847	1,019	5,124
1957	20,850	1,355	647	2,002	760	214	244		1,218	3,220	17,630	12,951	14,026	3,604	7,899
1956	19,090	1,757	772	2,529	638	252	372		1,262	3,791	15,299	12,516	13,555	1,744	6,574
1955	15,547	1,256	697	1,953	263	243	262		768	2,721	12,826	11,337	12,278	548	4,210

Source: Highlights of U.S. export and import trade, Department of Commerce, Bureau of the Census.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 12, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

DEAR CHAIRMAN MILLS: I would greatly appreciate your making the attached telegraphed message a part of the written testimony dealing with tariffs. My constituent, Rudolph S. Wood, Vice President, Sales, M. & R. Refractory Metals, Inc., supports, specifically, my legislation, H.R. 522, regarding duty free importation of molybdenum.

I would appreciate your consideration of this testimony.

Very sincerely,

FLORENCE P. DWYER,
Member of Congress.

SPRINGFIELD, N.J., *July 11, 1968.*

Hon. FLORENCE P. DWYER,
Rayburn House Office Building,
Washington, D.C.

DEAR MADAM: Thank you for your letter of July 3 and for your efforts on our behalf.

We appreciate this opportunity to present our written testimony to the Ways and Means Committee.

With regard to your bill No. H.R. 522, we offer the following comments in support of the removal of the duty on molybdenum concentrate:

1. The molybdenum industry is no longer the vulnerable infant that it was in 1930 and the tariff has outlived its usefulness.

2. The present tariffs on molybdenum serve only to insulate mining interests from domestic as well as foreign competition. Thus, it further indirectly subsidizes an industry which is already enjoying substantial benefits from depletion allowances and stockpile purchases.

There are two producers of prime molybdenum concentrate in the United States—the Climax Molybdenum Company and the Molybdenum Corporation of America. Climax produces abuot 57,000,000 pounds of molybdenum annually and the Molybdenum Corporation about 10,000,000 pounds. The United States consumes about 52,000,000 pounds per year. In general, neither Climax nor Molybdenum Corporation will sell concentrate to converters or, indeed, to anyone else in the United States. Climax does sell such concentrate to processors abroad.

3. Molybdenum is also produced as a by-product of copper mining. There are two fairly substantial sources of such by-product concentrate which is suitable for some metallurgical applications—the Kennecott Corporation and the Duval Corporation. Neither of these sells concentrates to converters. This refusal to sell concentrates to processors or converters on the part of the above-mentioned corporations permits them to reserve the market for the most important molybdenum material, technical grade molybdic oxide, to themselves. Incidentally, the price for technical grade oxide from all sources, by-product and otherwise, is exactly the same.

There are other productions of by-product molybdenum concentrate. However, that which is offered for sale is highly contaminated with copper and other impurities and requires additional processing in order to make it suitable for most metallurgical applications. As a direct result of the inability of processors to purchase suitable concentrate, the mining companies are insulated from competition. For instance, such strategically important commodities as purified molybdic oxide and purified molybdenite concentrate are produced only by Climax. So long as the restrictive practices of the mining industry, with respect to the sale of molybdenum concentrate, are permitted to continue, and so long as the tariff protects them from potentially aggressive competition, both with respect to price and technology, the industry must depend upon these interests for any improvements in either technology or pricing. No technological breakthroughs can ever be exploited to the advantage of the Nation as a whole.

The GSA is the only other domestic source of prime molybdenum concentrate, and it can hardly be considered a permanent source. Moreover, the GSA imposes export restrictions which make it impossible for converters like ourselves to take advantage of export opportunities. The restrictions against the export of such products as ferromolybdenum, molybdenum trioxide, molybdenum pellets and powder, when made from stockpile concentrate, seem to serve only the interests of a few mining companies. So, too, does the tariff on imported concentrate.

M. & R. REFRACTORY METALS, INC.
R. S. WOOD, *Vice President*,

TEXAS GULF SULPHUR CO.,
New York, N.Y., July 9, 1968.

Congressman WILBUR D. MILLS,
Chairman of the Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN MILLS: We understand that the Ways and Means Committee, of which you are Chairman, are holding hearings in connection with import quotas on lead and zinc. As a U.S. corporation operating a large zinc, lead and copper mine in Canada we would like to join with The Mining Association of Canada in expressing our concern over the establishment of quotas.

We are attaching a copy of a statement prepared by The Mining Association of Canada which expresses our views exactly on the subject.

As one of the larger producers of elemental sulphur in the U.S. and Canada, the elemental basic materials which moves freely from one country to another without restrictive tariffs or quotas, we cannot help but feel that lead and zinc and other basic raw materials should fall into the same category.

Your careful consideration of the attached is respectively requested.[1]

Yours sincerely,

A. NELSON MYERS,
Vice President, Marketing.

(Whereupon, at 6:25 p.m., the committee adjourned, to reconvene at 10 a.m., Wednesday, June 19, 1968.)

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[1] NOTE: The statement of the Mining Association of Canada is retained in the files of the Committee but has not been included in the hearing because of the Committee's rule concerning the receipt of testimony from foreign associations.

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