

were only about \$4.2 million, while imports from such countries were still over \$7 million, giving a negative trade balance of more than \$2.8 million.

A negative trade balance, of course, is not just the industry's problem. In the context of our current balance of payments difficulties it is a matter of overall national concern.

3. *Cause of the problem.*—The ability of foreign chain, particularly from Japan, to edge out the domestic product is primarily a reflection of lower foreign wage scales, which permit foreign chain manufacturers consistently to undersell U.S. manufacturers. The foreign advantage in this regard is especially significant in small chain sizes where the manufacturing value added (manufacturing costs, excluding selling and administrative costs) to raw material costs increase from about 50% for 2-inch pitch chain to about 75% for $\frac{3}{8}$ -inch pitch chain.

The advantage enjoyed by the Japanese in producing small pitch roller chain has been pressed to the fullest possible extent. For example, in bicycle chain, a roller chain of small pitch, the Japanese takeover of the domestic market has been almost complete—so complete, in fact, as to have eliminated altogether the domestic bicycle chain industry.

4. *Relationship to national security.*—The same thing could happen in other chain lines, and with far more serious implications for the country as a whole. In this connection, sprocket chain serves a variety of vital peace and wartime functions. It is essential to the petroleum industry, the farm equipment industry, the machine tool industry, the construction industry, and a variety of other industries where it is employed in conveying and automating equipment. The industry supplied components for a variety of major defense weapons during World War II and the Korean War and continues to be an essential supplier for manufacturers of military equipment. Sprocket chain is a necessary item in the production of missile and missile handling equipment.

Considering its problems with imports, the domestic sprocket chain industry has consistently opposed duty reductions. But in recent years it had become increasingly apparent that even if our Kennedy Round negotiators had held firm on sprocket chain tariffs, general import duties could no longer be relied on, standing alone, to protect the domestic industry from the destructive effect of imports. As already noted, foreign manufacturers have completely taken over the domestic bicycle chain market. This was done despite the fact that since 1939 the duty applicable to bicycle chain had been 25%. Prior to the Kennedy Round negotiations the duty on most other types of sprocket chain (TSUS Nos. 652.15 and 652.18) was half the bicycle chain duty, or only 12½%. It seems apparent that this duty, even if maintained, would in the foreseeable future have had only minimal effect on imports of these types of chain. Cut in half, as it was at Geneva, it is doubtful whether it will have any significant inhibiting effect whatsoever.

What alternative type of protection would be appropriate? One legislative approach—which we wholeheartedly endorse—is the establishment of import quotas. The Committee has before it proposals to impose import quotas on steel and various other products. If any such bills are favorably reported, we urge that sprocket chain be included among the protected products. We believe that whatever quota formula would be found to be appropriate for steel, would be equally appropriate for chain. We are of course not as large an industry as the steel industry. But we believe that the general principles and public policies justifying import quotas for steel are equally applicable to us.

II. NEED FOR IMPROVED ANTI-DUMPING PROCEDURES

1. *Pending legislative proposals.*—Even if import quotas should be imposed, however—and of obviously greater importance if they should not be—we urge that legislation be adopted to provide the domestic industry with realistic and practically available remedies against a more specific problem we are faced with—dumping. As already noted, the bulk of chain imports are from Japan. While we have at this time no specific data to report with respect to Japanese home-market selling prices, we believe that all or a very substantial portion of Japanese chain is being sold in this country at prices below what the Japanese sell such chain for at home. We also know that Japanese penetration of particular geographic markets (particularly on the West Coast) far exceeds their current nationwide penetration.

We urge that the present anti-dumping statute be amended to permit adequate and practically-available relief against dumping, which is essentially a form of price discrimination and an unfair method of competition. H.R. 1075 and other