reau of the Budget, would be in the best position to help resolve. What would be your comment on that? (See app. 9, p. 550.)

Mr. HUGHES. Well, certainly, Mr. Chairman, first an initial comment should be an acknowledgment that the situation is difficult—with two different differentials. I don't see any use in trying to evade that rather fundamental point.

MESS DUE TO SEPARATE DOD POLICY

Chairman PROXMIRE. This is a mess that the administration created by enabling the Defense Department to issue this directive providing for a 50-percent differential, and with a very real concern about our balance of payments, and perhaps it was good judgment on the part of Secretary McNamara who initiated it.

Mr. HUGHES. Secretary McNamara's action was part of a general defense related effort to reduce the impact of our very extensive defense and particularly oversea defense activities on our balance-of-payments problem. The 50-percent action was taken in that context. It seems to me it makes sense in that context.

The fact that GSA procurement of handtools, for example, for defense purposes results in a different kind of Buy American standard being applied should be evaluated almost case by case, and perhaps industry by industry, in terms of the effect of that practice on the particular industry.

I have had some opportunity to see Senator Brooke's testimony, and I think I can understand his concern with the handtool industry particularly. But I think it is somewhat relevant to look at the figures for handtool procurement in total—I am speaking of GSA procurement—something of the magnitude of $107 million worth of handtools were procured by GSA, and of that total, under $5 million represented foreign procurement.

The point I am making here, Senator, is that——

INCREASE OF HANDTOOL IMPORTS FROM 1948–1966 FROM $169,000 TO $14 MILLION

Chairman PROXMIRE. Let me read what Senator Brooke said:

In 1948, the value of all mechanics hand service tools imported into the United States was $169,000. By 1966 the value increased to $14 million.

This indicates an enormous increase in import. And you are saying $5 million of this was the Defense Department procurement?

Mr. HUGHES. Was GSA procurement for Government-wide use?

Chairman PROXMIRE. So that it does represent a very large proportion of all of the import, and it does represent roughly—a little less than 5 percent of the handtool procurement; is that correct?

Mr. HUGHES. About 5 percent, roughly—somewhat less than 5 percent of the Government's handtool procurement.

I think the portion of the total handtool procurement may be somewhat less. The figures which we have indicate that total handtool imports for all purposes might be more in the magnitude of perhaps $50 million than the smaller figure which Senator Brooke cited, but I cannot certify to that figure. (See app. 9, p. 553.)