

The significant points are:

First of all, the Federal Government's procurement of handtools from foreign sources is still a very small proportion of the total procurement. And second, I think we need to keep in mind the rather fundamental fact that the United States sells much more to foreign governments than this Government buys overseas. Therefore, we run a significant risk of losing more than we gain, although not necessarily in the handtool area.

Chairman PROXMIRE. I think we are more or less inclined to favor free trade. But we have to look at the very grim short-term problem, especially in terms of the British devaluation, and the persistent adverse balance of payments. We have had this 50-percent differential for a long time.

How much actual retaliation have we suffered during this period?

Mr. HUGHES. I do not know, Mr. Chairman. Certainly, the volume of foreign procurement here remains high, both in terms of foreign government procurement and as reflected in the fact that our exports far exceed our imports—

Chairman PROXMIRE. We have had it several years.

Mr. HUGHES. Oh, yes; several years. It was introduced and so labeled in the Armed Services Procurement Regulation as a temporary measure in recognition of a balance-of-payments problem.

Chairman PROXMIRE. Which is as bad now as it has been.

Mr. HUGHES. That is correct.

Chairman PROXMIRE. And, more critical this month than it probably has been at any time.

Mr. HUGHES. It certainly is a difficult period. And, it seemed to us, certainly no time to back away from the 50 percent on the defense side. On the other hand—

Chairman PROXMIRE. Under these circumstances, you see, a handtool industry, which does seem to suffer this discrimination—what criteria or standard can you apply if you do not permit them to have the 50-percent differential, when the overwhelming amount of the procurement is by or for defense?

Mr. HUGHES. The criterion is applicable to the procuring agency which in this instance is GSA. I think, again, in appraising the impact of the differential, it is important to look at the figures I have cited, to look at the figures reflecting the growth of the handtool industry in general, and to look at the continued small portion of imports in relation to total domestic use of handtools.

I think it is fair to estimate, also, that of the \$4.8 million of foreign procurement by GSA out of this total of roughly \$108 million, some substantial proportion would probably stay foreign, even with a 50-percent differential.

So that the margin here, that we are talking about, between these two differentials insofar as the handtool industry is affected, is something under the \$4.8. I do not know what the figure is.

Chairman PROXMIRE. Under the \$4.8 million.

Mr. HUGHES. \$4.8 million is procured foreign under the 6 to 12 differential. Even if that differential were increased to 50 percent, there would continue to be significant foreign procurement.