

In our continuing review of Buy American practices, higher budgetary costs must be weighed against possible balance of payments savings associated with the application of price differentials in evaluating bids on foreign and domestic products. We must consider also the implication of any change in the differentials on our efforts to reduce trade barriers and on the procurement practices of foreign governments. Defense regulations specify that its existing procurement practice is a temporary measure which will be eliminated when the balance of payments problem is less pressing. While this policy differs from that of civilian agencies, we do not believe the standards now applied by the Department of Defense or other agencies should be changed.

Sincerely,

PHILLIP S. HUGHES,
Deputy Director.

DOD MACHINE TOOL PURCHASES

[In millions of dollars]

	Fiscal year				
	1963	1964	1965	1966	1967
Total.....	\$57.3	\$51.2	\$45.8	\$110.5	\$90.1
Ammunition machine tools.....			3.3	36.3	26.3
Balance.....			42.5	74.2	63.8

It will be noted that approximately 33 percent and 29 percent of Government purchased machine tools in FY 1966 and FY 1967, respectively, went for the support of the ammunition program which is principally a Government-owned, contractor-operated activity devoted full-time to producing for military needs. Related, but not included in the ammunition machine tool totals, are machine tools which have been purchased for the gun and gun tube programs. Most of these tools are also used exclusively in Government-owned activities.

IMPORTS OF MECHANICS' HAND SERVICE TOOLS COMPARED WITH U.S. MANUFACTURERS' SHIPMENTS IN THE DOMESTIC MARKET, ANNUAL TOTAL VOLUMES, IN DOLLAR VALUE

Years and months	U.S. manufacturers' domestic shipments	Percent	Imports into United States	Percent	Total domestic market in United States
1948.....	\$74,512,086	99.8	\$169,320	0.2	\$74,681,406
1949.....	60,462,104	99.7	153,780	.3	60,615,884
1950.....	77,917,482	99.5	411,864	.5	78,329,346
1951.....	99,130,508	98.9	1,085,172	1.1	100,215,680
1952.....	96,404,704	98.7	1,278,540	1.3	97,683,244
1953.....	96,461,857	97.9	2,098,464	2.1	98,560,321
1954.....	80,560,947	97.2	2,313,396	2.8	82,874,343
1955.....	93,536,405	96.3	3,560,136	3.7	97,096,541
1956.....	105,288,665	96.8	3,452,184	3.2	108,740,849
1957.....	107,225,021	96.3	4,169,460	3.7	111,394,481
1958.....	106,104,502	95.3	5,234,388	4.7	111,338,890
1959.....	118,828,160	94.4	7,101,792	5.6	125,929,952
1960.....	113,429,275	93.5	7,857,720	6.5	121,286,995
1961.....	116,256,085	94.0	7,462,488	6.0	123,718,573
1962.....	132,436,090	94.3	7,950,852	5.7	140,386,942
1963.....	142,053,479	94.3	8,609,403	5.7	150,662,882
1964.....	158,443,648	94.6	9,003,272	5.4	167,446,920
1965.....	185,479,573	94.4	10,934,780	5.6	196,414,353
1966.....	208,103,791	93.7	13,940,479	6.3	222,044,270
1967					
January.....	15,530,284	91.9	1,363,143	8.1	16,893,427
February.....	17,632,271	95.0	929,124	5.0	18,561,395
March.....	19,534,740	92.8	1,508,738	7.2	21,043,478
April.....	16,957,805	94.0	1,074,101	6.0	18,031,907
May.....	17,535,402	92.5	1,430,063	7.5	18,965,465
June.....	18,743,026	93.4	1,323,121	6.6	20,066,147
July.....	14,200,451	90.7	1,452,471	9.3	15,652,922
August.....	17,191,593	90.9	1,727,072	9.1	18,918,665

Source: Imports data from U.S. Department of Commerce.