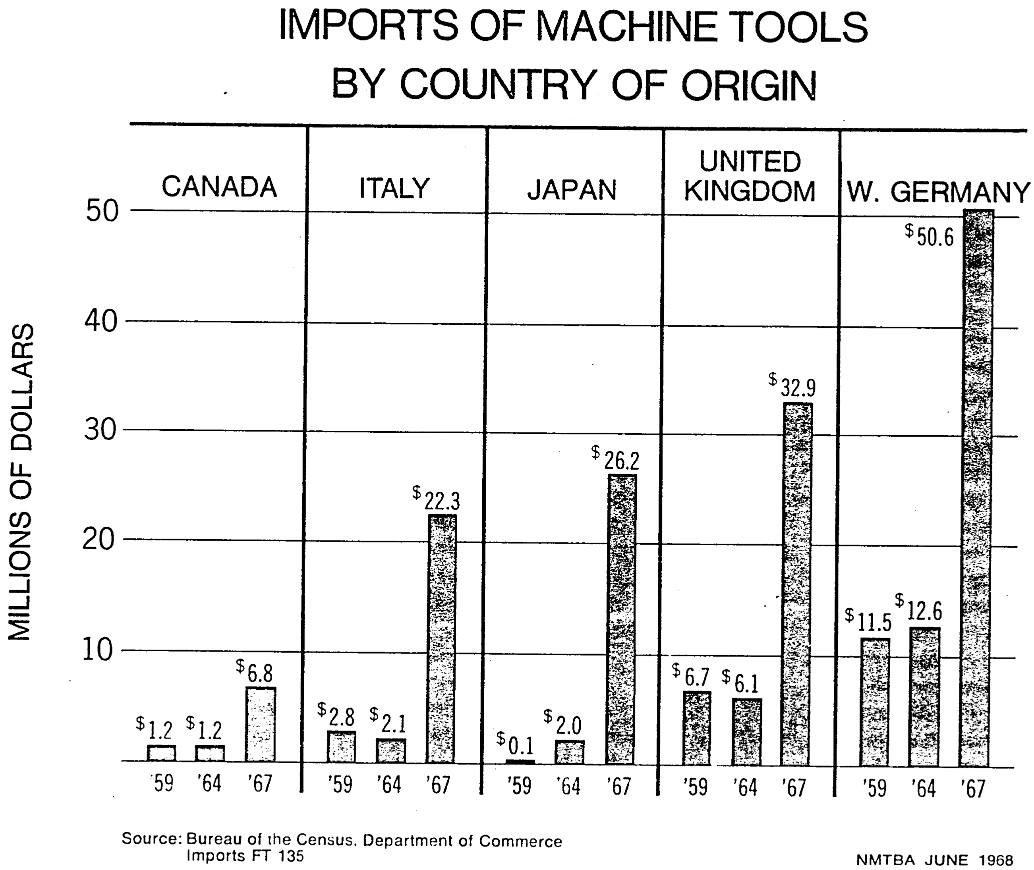
CHART 4



This price disparity can no longer be said to be offset by quality differences. Foreign builders have made tremendous technological strides and produce high quality, sophisticated machines.

Machine tool builders exporting into the United States also receive important export assistance from their governments. Particularly significant is the widespread practice of rebating to exporters, or exempting them from, various "indirect" domestic taxes (such as "turn over," "value added," or other taxes) that are a principal source of revenue in these foreign countries. Under GATT the rebate of such indirect taxes is permissible, but the rebate of "direct" taxes—such as the U.S. corporate income tax—is prohibited, making it much more difficult for U.S. builders to compete in world markets and to help with our balance-of-payments problem.

Foreign governments also strongly support their machine tool builders at home. In many major machine tool markets U.S. machine tool exports are exposed to nontariff border taxes. These include a value added tax of 20 percent in France, a 10-percent equalization tax in Germany, and in Italy a 4-percent duty and a 7.5-percent compensatory import tax.

U.S. machine tool builders also encounter other nontariff obstacles in export markets. Many machine tool exports to Japan, for example, are effectively blocked by purposeful governmental inaction on the