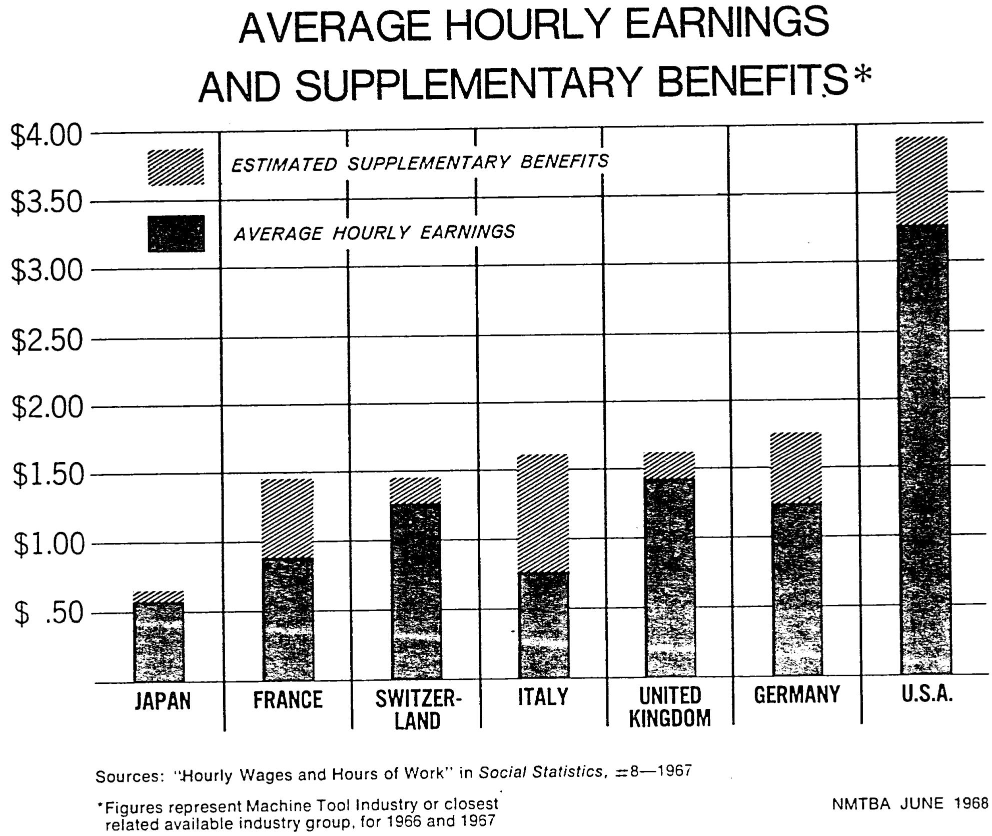
CHART 5



import licenses needed by potential Japanese customers for U.S.-built tools.

In short, gentlemen, the U.S. machine tool industry is fighting a losing battle in the balance of trace—in fact, with our exports declining and foreign imports rising, we are losing the battle on both fronts. Any further increase in the level of imports, either generally or with respect to particular segments of the industry, could seriously erode the health and stability of the domestic machine tool industry. Therefore, we believe Government action is imperative. Our recommendations, in summary form, are as follows:

1. We believe that the United States should negotiate no further tariff concessions on machine tool imports.

2. We believe that Congress should seriously consider the enactment of a system of import surcharges. Under this system, imports of particular categories of machine tools would be exposed to a surcharge when they reached about 10 percent of domestic consumption. Our proposal, outlined in general terms in our brief, is a flexible and temporary response to an emergency situation. The progressive import surcharges proposed would be simpler to administer than quotas, and less likely to invite retaliation abroad.

3. We urge that Congress give consideration to the adoption, as a partial or complete substitute for the current Federal corporate income tax, of a system of "value added" taxation such as is being increasingly adopted in other industrialized nations. This would permit tax rebates comparable to those given foreign builders, thus al-