form metal, and as such are the foundation of a modern industrial economy. Virtually no modern products or equipment can be made without machine tools, neither automobiles for the civilian nor tanks for the soldier.

The military essentiality of maintaining a technologically advanced machine tool industry with modern plant and equipment, broad product capability and a full spectrum of machine tool lines is recognized by every industrial nation. General George C. Marshall, Chief of Staff during World War II, once observed:

"Practically every problem concerned with the production of arms and equipment, ships and planes, starts with the question of machine tools. The tool builders, therefore, constitute the keystone of the entire procurement structure."

The continuing validity of General Marshall's observation was recognized again in the Korean War and since then has been frequently documented before Congress.* Illustrative of current recognition of the importance to our national defense of machine tools is the Government's M-Day Pool Order program under which a broad range of standard general purpose machine tools is on standby order with machine tool builders, to be manufactured and delivered on a priority basis the moment the need arises. A schedule of those standard general purpose machines subject to pool order contracts is attached to this Statement as Appendix F.

We are today deeply concerned by the ominous portents in the import-export picture that point to imminent cessation of production of certain lines of machine tools vitally needed for defense as well as for a healthy peacetime industrial economy. Accordingly, we are pleased to have this timely opportunity to present our views on United States balance of trade problems as they relate to the machine tool industry and the national interest.

Since 1964 when we testified in opposition to negotiated tariff reductions, the position of our industry in world trade was worsened.** We believe that remedial steps are necessary, both in our interest and that of the country as a whole, to make certain that the United States has a machine tool capability to meet the needs of both a defense and a peacetime economy. Before moving to our specific recommendations, however, we should like briefly to analyze the machine tool import-export situation as we see it and comment on some of the factors that, in our view, require governmental response.

I. BALANCE OF TRADE

The machine tool industry, like the country as a whole, is fighting a balance of trade war. This is a war that is fought on two fronts. But as Figure 1 on the following page graphically demonstrates, and as the figures in Table 1 on page 5 show, neither the battle to expand exports nor the battle to fend off imports is going well, principally for the reason that higher labor and material costs in the United States make competition with cheaper foreign, machines very difficult. In an industry such as ours where labor costs often represent as much 50% of total product cost the substantially lower costs and prices of competing imports present a critical problem.

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*See, *e.g.,* S. Rep. No. 1107, 82d Cong., 2d Sess., p. 1 (1952) ; S. Rep. No. 1988, 82d Cong., 2d Sess., p. 41 (1952) ; S. Rep. No. 2229, 84th Cong., 2d Sess., p. 31 (1956). Testimony of Charles P. Taft in 1962 Hearings on H.R. 9900. p. 29 (1962).

**NMTBA Position Paper in Opposition to Reduction of United States Tariff on Machine Tools (TSUS Numbers 674.30–674.56), presented by E. M. Hicks (February 3, 1964), referred to hereafter as "1964 NMTBA Position Paper."