1964 imports by 55%, imports in 1966 of $117.7 million exceeded 1965 imports by nearly 110%; imports in 1967 of $178.2 million exceeded 1966 imports by 51%.

It is not clear that the same rate of increase will obtain in 1968. A greater proportion of shipments of foreign machines may be made from built-up inventories. Also, decreasing backlogs may enable some U.S. manufacturers to make faster deliveries and thus capture some domestic sales that might otherwise go to foreign builders. These factors would seem to explain the fact that imports during the first quarter of 1968 were slightly below 1967 levels.

But the basic causes of import growth persist. Significant price advantages offered by foreign builders as a result of their lower costs, continuation by them of aggressive sales and service efforts, reduced tariff protection under the progressive 50% Kennedy Round concessions, in many cases faster delivery—all promise to step up the pressure of imports. Accordingly, we would expect to see imports continue to climb in 1968, possibly 25% above 1967. This is a conservative prediction in the light of experience but nevertheless would mean an increase in imports of $45 million or more.

Putting these projections together, the balance of trade outlook becomes unhappy indeed. As the figures in Table 1 show, in 1964 U.S. exports of machine tools exceeded imports by $162 million. By 1966 the U.S. advantage had shrunk to $56 million and by 1967 to only $16 million, or 10% of the 1964 trade surplus. It appears certain that *the United States will become a net importer of machine tools in 1968*, with the deficit possibly falling between $50 million and $70 million. And in the absence of effective government measures we see no reason to anticipate improvement in 1969 or 1970.

The unfavorable trade balance that we see in 1968, though unprecedented when the industry is considered as a whole, does not come unannounced. The biggest single subdivision of the machine tool market is metal cutting tools, which account for about 75% of all domestic machine tool production. As appears from Table 2 below and Figure 2 on the following page, *the United States became a net importer of metal cutting tools in 1967.*

TABLE 2.—METAL CUTTING MACHINE TOOLS (EXCLUDING PARTS AND ATTACHMENTS)

[Exports from, and imports into, the United States, 1964–67]

Year	Exports		Imports		Balance dollars (millions)
	Units	Dollars (millions)	Units	Dollars (millions)	
1964	10,577	$151.4	16,845	$30.6	$120.8
1965	9,137	127.1	23,600	48.1	79.0
1966	11,425	126.7	54,235	104.7	22.0
1967	10,037	143.9	53,356	153.5	9.6

Source: Bureau of the Census, U.S. Department of Commerce, imports, FT 135; exports, M35W.