TO : Department of State

FROM : Amembassy MADRID DATE: March 28, 1968

SUBJECT : U.S. Machine Tool Exports to Spain

REF : State A-112 of February 26, 1968

FOR COMMERCE

The U.S. share of Spain's machine tool imports is small -only 5%- due in good part to disadvantages which American machine tools encounter in the Spanish market. The main disadvantage is price -U.S. prices are about 20% higher than European ones. Because of the price problem, U.S. sales are in most cases limited to specialized tools whose performance is clearly superior to that of their European competitors. Unfortunately the Spanish market for those specialized tools is small, reflecting the low level of industrial development in Spain. Most of Spain's demand for machine tools is for the standard, general purpose types.

To offset the price disadvantage for American tools, a local representative will often import a machine tool made by a European subsidiary or licensee of the American firm. Thus American designed tools have a much greater representation in the market than appears from the import statistics.

Other problems American tools encounter in the Spanish market are delivery times and maintenance servicing. Delivery times for U.S. machine tools are usually longer than that for European tools, with British delivery times especially short, which also gives the advantage to European producers. American producers also have to counteract the prevailing impression amongst Spanish buyers that maintenance problems are fewer for European tools, because the proximity of the factory