

makes it relatively easy and inexpensive to import experts to do repairs, and parts are more readily available.

The tariff system does not discriminate against U.S. machine tools, and the recent tariff increases will probably hurt other exporters proportionally more, since the United States products do not compete on a price basis. The current slowdown in investment (total investment in 1967 was less than in 1966), and the increased peseta cost of imports after the devaluation in November have had a greater effect on sales than did the tariff increase. The increase in tariffs and the devaluation at a time when investment was already falling will mean that new orders will be slower in coming until investors decide the economic situation is going to improve --and nobody knows when that will be. Importers of American machine tools do not believe outstanding orders will be cancelled, although they might be if the economic situation should get much worse.

The appendix to the tariff schedule, under which machinery can be imported at rates of 1% or 5% instead of the much higher rates of the regular tariff schedule, will be retained in the future and will be of increased importance. The Government is expected to make greater use of the appendix to offset part of the increase in costs of imported machinery brought about by the devaluation and the increase in tariff rates. It should be remembered, however, that the appendix rates can only be levied on imports of very specialized machines for which there is a very limited market, and the Spanish Government examines each application very carefully to insure that neither the machine nor any part of it can be made in Spain. If a part can be made in Spain, the Government will only allow the rest of the machine to be imported at the reduced appendix rate.

The sales agents of American machine tool manufacturers usually represent many firms, and do not mount large sales promotion efforts for the individual firms they represent. In fact, many of the firms supposedly being represented have never sold a machine in Spain. The American firm's agents represent firms from various countries, nearly always including the European subsidiaries and licensees of the American firms represented.

American machine tools compete with those produced in other European countries, not against local production. The machine tools Spain does produce are so much cheaper than the American ones that no competition is possible. But the