

(goods and services). The I.N.A. insures directly in the case of medium-term credit and in the form of reinsurance for short-term credit.

Export Promotion

Italian Institute for Foreign Trade

This is a government organization which provides information on foreign markets, foreign customs duties, foreign trade regulations and currency controls, foreign trade statistics, trade lists and the Italian equivalent of World Trade Directory Reports on foreign firms. In addition, the organization handles reports on foreign procurement projects.

Trade Fairs

The Italian Institute for Foreign Trade coordinates the activities of Italian firms related to Italian Government participation in international trade fairs, and solo exhibits held abroad, and in shows held in Italian trade centers in London and Stockholm. It organizes trade missions abroad as well as missions of foreign businessmen to Italian industrial plants to meet interested exporters.

Foreign Marketing Education

Foreign trade courses for university graduates and scholarships to foreign trade specialists for commercial practice in foreign markets of special interest to Italy are also government-subsidized.

FRANCE

Export Subsidies

Exemption from Sales Tax

Exports are excluded from the sales tax (tax on value added) TVA, and services tax (TPS). In addition, the exporter has a credit with the French Treasury for the TVA on components, plus services tax on services making up his exported product. He also has a credit for the "financial deductions" generated by the acquisition of capital goods or by overhead expenses related to his export business.

Income Tax Incentives

Market studies for the establishment of an office abroad are tax deductible, as are the expenses incurred during the first three years of operation of such office. Restitution may be spread over the next five years, however, prior agreement by the government that this re-incorporation into taxable income is not necessary nullifies the restoration requirement. Income placed in a reserve fund to cover risks incurred through export sales and work performed abroad with medium-term credits may be excluded from taxable income, but reserves not used to cover such losses must be taken back into taxable income in the next year. Goods imported to be reexported either as is or as components of a product are exempted from import duties and taxes. Holders of an Exporter's Card (producers exporting at least 20% and merchants exporting at least 50% of their total sales volume may be allowed to delay payment of taxes beyond the due date, if they can show that their temporary inability to pay is due to their efforts to export.

Export Credit Insurance

The French Export Insurance Company (COFACE), a quasi-governmental organization insures against commercial, exchange, price increase, catastrophic and political risks. Policies generally cover between 70 to 90% of the risk,

leaving the rest to the policyholder. COFACE will only insure for exports, but covers risks occurring in France, as well as abroad. Policies are both specific and whole turnover.

Export Promotion Insurance

This insurance is provided by COFACE against financial risks arising from export promotion projects in foreign markets. The insurance enables firms, in the event their exploratory programs fail wholly or in part to recover up to 50%, and sometimes more, of the amount disbursed and not amortized.

Exhibitor's Insurance

A COFACE policy covers firms against risks involved in efforts to sell abroad through participation in foreign trade fairs. An insured firm receives an advance of 50% of authorized expenses (60% for holders of Exporter's Card). In the event the firm's efforts are successful, it reimburses the advance in installments, as a percentage of sales in the area where the trade fair took place, over a period of a year or two.

Guarantees Against Increases in Costs of Production

For operations relating to equipment goods manufactured on the basis of a specific bid and requiring a long lead time, exporters may contract with COFACE for cover against so-called "economic risks". This type of insurance protects the exporter against an increase in costs of production as a result of the evolution of economic conditions within France itself.

Export Credit Financing

The Bank of France grants a favorable rediscount rate of 3% to exporters, as opposed to the regular rate of 3.5%. This covers exports of services (such as marketing) as well as products. On sales of heavy equipment to developing countries, for a loan of over eight years and a minimum amount of \$5 million, the French banking system will loan money directly to the foreign buyer, private or government, so as to enable him to pay his French supplier on a cash upon delivery basis. The portion of the loan in excess of five years may be drawn from government funds.

Investment Loans

The French government has indicated it will guarantee loans floated by the Union for Financing and Expanding of International Commerce (UFINEX), a group of French banks, insurance companies, and industry and trade associations. Its goals are facilitating the creation abroad of marketing networks for French products.

Export Promotion

Trade Fairs

The French Government, in coordination with private industry participates in international trade fairs and solo exhibits. Government subsidy takes the form of reduced space cost.

Trade Centers

French trade centers have been established in Tokyo and Stockholm.

Economic Missions

French economic missions are usually government-sponsored groups of businessmen and bankers who visit developing countries in order to determine how French industry can assist and participate in the industrialization of host countries. An example is a recent French economic mission to East-Central Africa. A systematic trade mission program similar to the U.S. program does not exist. However, business groups are often sponsored to accompany French Government-sponsored exhibits, especially in bloc countries.

Trade Conferences

French Commercial Counselors abroad are brought to France periodically several at a time to conduct as a group regional conferences with French businessmen. The purpose of these conferences is to acquaint businessmen in the provinces with potentials of and possible approaches to markets in specific countries. The conferences are also designed to arouse interest in entering the export field.

Export Awards

"Export Oscars" are awarded annually for outstanding export performance to firms employing less than 5,000 workers. Applicants are divided into 8 categories according to various other criteria. The first prize in each

category consists of 6,000 miles air travel credit with Air France. However, recipients must undertake to use up the air travel credit within the calendar year by sending a qualified member of their firm on one or more trips to prospect foreign markets. A winner of any award in the Oscar competition may use the mark "Export Oscar" followed by the year he receives it on his stationery, in advertising, etc.

BELGIUM

Export Subsidies

Tax Rebates

Lumpsum repayment of transmissions tax on exported products covers the following:

- (1) Taxes paid at each turnover of the goods exported from the time of their manufacture, until they reach the foreign importer;
- (2) Taxes paid on the turnovers of material entering into the manufacture of the end product, its preparation or packaging, or consumed in the course of manufacture, also the taxes paid on machines and equipment used in the manufacturing of the goods, and
- (3) Taxes paid on processing, transportation and rental expenses concerned with handling the goods prior to exportation.

The Ministry of Finance grants tax exemptions on imported materials which go into the production of export goods.

Export Credit Insurance

Credits granted by Belgian exporters may be insured with the National Office of Guarantee (O.N.D.) against both political and commercial uses. It is a parastatal organization under the Ministry of Economic Affairs, and the insurance it grants is, in turn, guaranteed by the Belgian Government. The O.N.D. also reinsures up to approximately 50% of commercial risks insured by private companies. Insurance is also available for short-term export credits for goods manufactured abroad but sold from Belgium.

Export Credit Financing

Export credits are discontinued at a preferential rate below normal discount rates. The Belgian Government provides credits to exporters through three organizations:

1. The Institute of Rediscount and Guarantee -- a non-profit institution, the obligations of which are guaranteed by the State, offers short and medium-term credits for exporters and provides rediscount credit to Belgian banks.
2. CREDITEXPORTE -- an association formed by 25 banks and 6 public credit agencies to provide medium-term financing for exports of capital and investment equipment. It is a banker's bank and deals only with financial institutions.
3. Export Financing Pool -- an association for financing credits for terms longer than the 5 years covered by CREDITEXPORTE, formed by a combination of commercial banks, the National Industrial Credit Company, and the National Savings Bank.

Export Promotion

Belgian Office of Foreign Trade (OBCE)

This office is a parastatal organization under the Ministry of Foreign Affairs and Foreign Commerce. Its export promotional activities include: supplying trade information for dissemination abroad in foreign languages on Belgian industry and products, conducting foreign market research, contacting potential foreign buyers on behalf of Belgian exporters, maintaining foreign trade information and publicity services, organizing trade missions, and organizing and assisting Belgian participation in foreign trade fairs.

Trade Fairs

OBCE cooperates with Cobelexfo, an industry organization, arranging Belgian participation in trade fairs abroad, and organizes official Belgian participation in a large number of trade shows throughout the world.

Trade Missions

OBCE also arranges for government participation in trade missions sent abroad. Such missions are usually concerned with the development of both investment in the foreign country and in Belgium and of foreign trade with Belgium. They are usually led by prominent figures in business or government circles.

Fonds du Commerce Extérieur

OBCE has a program called Fonds du Commerce Extérieur (Foreign Commerce Fund) which grants financial aid to large industry associations, e.g. Fabrimetal and Fabeltex, to send delegates abroad to prospect foreign

markets or to establish permanent representation in foreign countries. Fond's facilities are also available to individual firms for foreign market prospecting. The firms repay money extended only if the results of the survey are satisfactory.

Design Center

OBCE, in cooperation with the Belgo-Luxembourg Institute of Industrial Design, has established a Design Center in Brussels, apparently inspired by the U. S. Trade Center concept. The Center is primarily a permanent exhibition to show Belgian products to foreign buyers and visitors. Consumer goods, equipment and investment goods, and packing and processing equipment are permanently displayed. From time to time special exhibits are mounted.

NETHERLANDS

Export Subsidies

Tax Rebate

The turnover (sales) tax applied at each change of hands from raw material to finished, assembled product is rebated to the exporter.

Provision is also made for rebates of taxes paid on solid fuels, electricity and gas consumed in the manufacture of exports.

The taxes and duties on imports will be refunded when they are re-exported, however payment of duty, purchase taxes or the equalizing assessments can be avoided by depositing these goods upon import at a bonded warehouse.

Export Credit Insurance

The Dutch Government fully reinsures export credits granted by the Netherlands Credit Insurance Company (N.C.M.), a private firm. Although reinsurance in the main applies to political and non-commercial risks, in principal commercial risks are also covered for any time period. Insurance cover is generally 75% of the credit, but may expand to 90%. Principal risks covered are insolvency; protracted default; buyer's failure or refusal to accept goods; exchange transfer; war; revolution and other non-commercial risks beyond control of exporter or buyers.

Export Credit Financing

The Netherlands Government has a major stake in the Export Financing Company (E.F.M.) since 60% of the equity capital is held by the National Investment Bank, in which the Government is a participant. Although supported by the Government, E.F.M.'s financing capacity depends on its own resources. Any kind of product is eligible for an E.F.M. export credit, and there is no ceiling on the amount of credit other than normal business considerations. There are no preferential rates favoring export financing over domestic sales financing.

Export Promotion

Economic Information Service

This section of the Ministry of Economic Affairs is the official Government office for trade promotion. It has the general task of analyzing markets abroad, in concert with the Dutch Foreign Service, to develop export opportunities. Such trade opportunities are published in its periodical Economische Voorlichting along with other trade and marketing information. It also participates in trade fairs and coordinates the flow of commercial information among itself, the Council for Trade Promotion, and the Dutch Foreign Service.

Netherlands Council for Trade Promotion

The Council is financed on a 50-50 basis by the Government and private industry. Almost all Dutch export promotional organizations cooperate with the Council. It has control of Government subsidies for trade promotion.

Market Analysis

The Council provides systematic analyses of foreign markets. This research is based on trade statistics developed by the Netherlands Government and on data obtained in the course of market exploration trips by Council personnel and representatives of member industries to foreign countries.

Trade Fairs

The Council assists the Government in providing Dutch representation at Foreign trade fairs and exhibitions. Participation in trade fairs is subsidized, in part or in full, by the Dutch Government. A mobile trade fair has recently been initiated.

Trade Missions

The Government sponsors several industrial trade missions annually. These are organized by the Council. High Government officials often head these missions.

Trade Directory

The Council compiles a trade directory of foreign firms' names, addresses and major product lines which is made available to Dutch businessmen interested in selling and buying abroad.

EFFORTS BY THE U.S. MACHINE TOOL INDUSTRY
TO DEVELOP AND MAINTAIN EXPORT MARKETS

Traditionally export trade has been important to the U.S. machine tool industry. In recent years, with the increase in competition faced by U.S. builders attempting to sell abroad, the industry has intensified efforts to maintain and expand its foreign markets. In these efforts the National Machine Tool Builders' Association has played a major role.

1. Activities of the NMTBA Export Committee. In 1967 NMTBA formed an Export Committee to encourage an increase in U.S. machine tool exports. Previously, export matters had been the province of a subcommittee of the Government Relations Committee. The new Export Committee has a number of projects under way or under study, including the identification of non-tariff trade barriers and other governmental and commercial restrictions limiting the importation of U.S. machine tools into foreign countries, the sponsoring of institutional advertising in foreign trade publications, the development and dissemination of information on U.S. Government aid available to encourage machine tool exports (such as the creation of Joint Export Associations, as proposed by the Administration), studies of the best way to sell in various overseas markets, assistance and cooperation in arranging a recent trade mission to the United States of potential Israeli machine tool buyers (the so-called "Israeli Reverse Mission"), and encouragement of industry participation in trade shows and missions.

2. Publication of import-export data. NMTBA publishes and distributes to its members monthly and annual import and export statistics by type of machine tool and countries of origin and destination, based on Bureau of Census data. The Association has also published a comprehensive market analysis for 24 countries entitled "Survey of Major Export Markets for Machine Tools." (A copy of the latest revision, published by the Association in 1967 and distributed to all NMTBA members; is included in the Exhibits separately submitted.)

3. Promotion of Foreign Attendance at 1965 Machine Tool Show. NMTBA published a 64-page book entitled "Advanced Developments in United States Machine Tools" to promote foreign attendance at the 1965 Machine Tool Show. A copy of this publication is also included in the NMTBA's Exhibits. Approximately 3,000 copies were distributed outside the United States with the cooperation of the U.S. Embassies and consulates and the Department of Commerce. Subsequently, the publication was reproduced in several foreign languages for distribution abroad.

4. Industry participation in trade fairs and trade missions. Historically, machine tool builders have been active in trade fairs and trade missions around the world. NMTBA has kept members advised of these events through newsletters and bulletins. In addition, the Association coordinates industry charter flights to many foreign trade shows.

5. International standardization activities. NMTBA has long been a participant in international machine tool standardization activities. The Association financially sponsors two representatives to ISO Technical Committee 39 machine tool meetings. The chief U.S. delegate reports to NMTBA's Technical Standards Committee at least once a year. Copies of his report on TC 39 activities are reproduced and sent to all members of NMTBA and other interested parties. A member of the Association's technical staff also serves on the ISO TC 39 liaison committee. NMTBA financially sponsors a representative to the International Electrochemical Committee and a delegate to ISO TC 97 -- "Numerically Controlled Machine Tools." This delegate is also on the ISO TC 97 liaison committee. The purpose of the Association's participation in ISO work is to promote greater acceptance for U.S. machine tool design in world markets.

6. Industry support of International Center for Advanced Technical and Vocational Training. Twenty-five members of the industry have made substantial contributions of machine tools to the International Center for Advanced Technical and Vocational Training at Turin, Italy. The supporters and their contributions are:

Burgmaster Corporation, Gardena, California
 (1 Tape Controlled Hydraulic Turret Drilling
 Machine - 2 Self-Indexing Drilling Machines.)

Dreis & Krump Mfg. Company, Chicago, Illinois
(1 Mechanical Press Brake, 1 Hand Box and Pan
Bending Brake.)

E. W. Bliss Company, Hastings, Michigan
(2 Power Presses.)

Giddings & Lewis Machine Tool Company, Fond du
Lac, Wisconsin. (1-4" Spindle, Horizontal Boring
Mill, Metric Measurement.)

Greenlee Tool Company, Rockford, Illinois.
(Bits, Chisels, and Gauges.)

Hammond Machinery Builders, Inc., Kalamazoo,
Michigan. (2 High Speed Tool Grinders, 1 Carbide
Tool Grinder, 1 Wet Chip Breaker & Diamond
Finishing Grinder.)

Hardinge Brothers, Inc., Elmira, New York.
(1 Engine Lathe.)

HPM Division of Koehring Company, Mt. Gilead,
Ohio. (10 Ton Hydraulic Press.)

Illinois Tool & Instrument Division (Illinois Tool
Works, Inc., Chicago, Illinois.) (1 Gear Involute
Profile Measuring Machine.)

Kearney & Trecker Corporation, Milwaukee,
Wisconsin. (1 Milling Machine.)

Lucas Machine Division (New Britain Machine
Company) Cleveland, Ohio. (See New Britain
Machine Co., Connecticut.)

New Britain Machine Company (Lucas Machine
Division, Cleveland, Ohio) New Britain, Conn.
(1-3" Spindle, Horizontal Boring Mill.)

Norton Company, Worcester, Massachusetts.
(Surface Grinder, 1 Universal Grinder, 1
Semi-automatic Cylindrical Grinder.)

O. S. Walker Company, Inc., Worcester, Mass.
(1 Magnetic Chuck.)

Pratt & Whitney Company, Hartford, Connecticut.
(1 Tape Controlled Drilling Machine & Assortment
of Cutting and Gage Tools.)

Simpson Electric Company, Chicago, Illinois.
(45 Voltmeters & other electronics testing items.)

Size Control Company (A division of American Gage & Machine Co.) Chicago, Illinois. (1 Centerless Lapper & Accessories.)

Snow Manufacturing Company (A division of American Gage & Machine Company, Chicago.)
Bellwood, Illinois. (1 Automatic Vertical Drilling and Tapping Machine.)

Sundstrand Corporation, Belvedere, Illinois.
(1 Lathe.)

7. Foreign trade emphasis at NMTBA membership meetings. Foreign Trade has been a featured subject at many NMTBA Annual and Spring membership meetings. Over the past five years, the following subjects and speakers have appeared on the programs:

LIST OF SPEAKERS ON FOREIGN TRADE

1962 Spring Meeting

"England and the Common Market"

Samuel Goldman, Financial Attache, British Embassy

"Will Proposed Foreign Trade Policies Aid Long-range U.S. Economic Development"

Debate: Everett M. Hicks, Vice President & General Manager, Norton Company

Charles P. Taft, Cincinnati City Councilman,
former Mayor, and General Counsel, Committee
for a National Trade Policy

"Foreign Competition - Can We - Will We Meet It"

William H. Graham, Executive Vice President, North
Electric Company

1963 Annual Meeting

"How to Sell in Foreign Markets"

Forum Discussion: Walter E. Schirmer, President,
Clark Equipment Co.
Howard A. Finch, Vice President,
Marketing, Jones and Lamson Co.

1965 Annual Meeting

"Selling Abroad"

Forum Discussion: T. Laurence Strimple, Chairman of the Board, The National Acme Company

1967 Annual Meeting

"Doing Business Overseas"

Panel Discussion: Ralph J. Kraut, Chairman of the Board
Giddings & Lewis Machine Tool Co.
Frederick Read, Vice President & General
Manager, AMTEA Corporation
Howard A. Finch, Chairman of the Board
AMERTOOL
J. R. Fries, Manager of Overseas Oper-
ations, Landis Tool Company
William T. Neill, Managing Director
Kearney & Trecker - CVA Ltd.

8. Official commendation for export activities. The NMTBA was one of the first trade associations to receive the President's "E" Certificate of Service in recognition of its outstanding efforts in promoting exports. The Certificate was awarded to NMTBA by the Secretary of Commerce in 1963.

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

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

Spanish market is still too small to allow domestic production of the advanced machines the United States exports. Therefore the efforts of the Spanish Government to rationalize and restructure the machine tool sector should not hurt U.S. sales and may even help them as Spanish producers retool with modern equipment.

Because of high prices and long delivery times, the United States will have to concentrate on the sophisticated, advanced machine tool to obtain more of the market as Spain's absorptive capacity for that type of tool increases. While improvements in market performance can always be made by more intensive sales efforts, the returns are expected to be small in Spain for the years immediately ahead.

SUMMARY OF NON-TARIFF TRADE BARRIERS IN 29 FOREIGN COUNTRIES

<u>COUNTRY</u>	<u>PRODUCTS</u>	<u>RESTRICTIONS</u>
Austria	Machine tools	Turnover Equalization Tax: 13% assessed on C.I.F. duty paid value. Turnover tax system for wholly owned subsidiaries. (Organschaftsteuer)
Belgium - Luxembourg	All machine tools except those mentioned below. Machine tools operated by electro-erosion and other electrical processes, super-sonic machine tools, also machine tools for recycling irradiated fissile material.	Transmission tax or lump-sum tax: 13.5% assessed on C.I.F. duty paid value. Transmission tax: 7% assessed on C.I.F. duty paid value.
Denmark	All products purchased for the public account. Machine tools	Government procurement practice. Value Added Tax: 12.5% on C.I.F. duty paid value of product.
Finland	Machine tools	Turnover Tax: 12.4% assessed on C.I.F. duty paid value.
France	Machine tools Machine tools All products purchased for the public account. All imports	"Value Added Tax" (TVA) Standard rate: 20% of duty paid value. Customs Stamp Tax: 2% of customs charges Government procurement practices. Customs broker fees standard schedule based on C.I.F. duty paid value. (1)
Federal Republic of Germany	Machine tools	Import Equalization Tax: 10% assessed on C.I.F. duty paid value.

<u>COUNTRY</u>	<u>PRODUCTS</u>	<u>RESTRICTIONS</u>
Italy	Machine tools	Turnover tax on import sale of $\frac{1}{2}\%$ (C.I.F. duty paid value
	Machine tools	Compensatory import tax: $7\frac{1}{2}\%$ assessed on C.I.F. duty paid value.
	All imports	Administration fee: 0.5% on C.I.F. value. (1)
	All imports	Statistical fee tax: 10 lira (\$0.02) per quintal of gross weight. (1)
Netherlands	Machine tools	Turnover tax rates of 10.5% and 11.7% assessed on C.I.F. duty and tax paid value.
	Machine tools	Turnover tax: 13.6% assessed on C.I.F. duty paid value. Government procurement practices.
Norway	All products purchased for the public account.	Transactions tax: 7% of C.I.F. duty paid value.
	Machine tools	Import license (freely granted)
	Machine tools	Government procurement practices
	All purchases for the public account.	Import license
Portugal	All used machinery and equipment	Compensatory Import Tax: 11% assessed on C.I.F. duty paid value.
	All machine tools except those listed below.	Compensatory Import Tax: 6% assessed on duty paid value.
	Machine tools for recycling irradiated fissil material.	Use of imported goods prohibited in projects involving state or other local Government funds, includes national or quasi-national firms.
	All products	
Spain	All used machinery and equipment	Compensatory Import Tax: 11% assessed on C.I.F. duty paid value.
	All machine tools except those listed below.	Compensatory Import Tax: 6% assessed on duty paid value.
	Machine tools for recycling irradiated fissil material.	Use of imported goods prohibited in projects involving state or other local Government funds, includes national or quasi-national firms.
	All products	

<u>COUNTRY</u>	<u>PRODUCTS</u>	<u>RESTRICTIONS</u>
Sweden	Machine tools	Turnover tax: 11.11% assessed on C.I.F. duty paid value.
	Imports in General	Marks of origin
Switzerland	Machine tools	Sales tax: 5.19% assessed on C.I.F. duty paid value.
	All machine tools	None
United Kingdom	Machine tools	Prior deposit: 40% C.I.F.
	Machine tools	Payment schedule prescribed by Central Bank for shipments exceeding \$10,000. Minimum payment terms range from 2 years for goods valued up to \$30,000 to 5 years for goods valued up to \$1,000,000.
Argentina	All goods	Statistical tax: 1.5% C.I.F.
	All goods	Surcharge: 1/2% ocean freight charges
	Products made of iron & steel	Iron & steel tax: 2.00 pesos/WK
	Machine tools	Sales tax: 10% assessed on C.I.F. duty paid value.
	Used machinery	Notarized Certificate of Safety
	Machine tools	Port Improvement Tax: 1% of C.I.F. value
Brazil	Machine tools	Merchant Marine Improvement Tax: 10% of freight charges
	Machine tools	Industrialized Products tax: 5% of duty paid value.
	Machine tools	System of "Similares" requiring formal registration of specific products.
	All imported machine tools declared to be "similar" to goods produced domestically.	Documentation and procedural requirements.
	All imports	

<u>COUNTRY</u>	<u>PRODUCTS</u>	<u>RESTRICTIONS</u>
Canada	Machine tools All products Manufactured goods	Sales tax: 12% of ad valorem value. Automatic antidumping provisions Arbitrary valuation
Chile	Most machine tools Machine tools Imports of machine tools on Chile's IATA concession list.	Advance deposit 0% to 200%. Shipping restriction Preferential treatment
Peru	Used machinery Machine tools Machine tools Products produced for public account.	Prohibited Statistical tax: 1.5% C.I.F. Surcharge: 1/4% ocean freight charges Government procurement practices
Australia	Machine tools All imports Second-hand or disposal machinery or equipment	Sales tax: 12.5% of duty paid value increased by 20%. Harbor charge(1) Wharfage charge(1) Handling charge(1) Import licensing
Japan	All imports All imports	Import Deposit: 1% to 5% (returnable after 80 days after goods are cleared) based on C.I.F value. Import license

<u>COUNTRY</u>	<u>PRODUCTS</u>	<u>RESTRICTIONS</u>
New Zealand	Machine tools Machine tools Machine tools Machine tools Capital goods, heavy electrical plant, and machine tools valued at \$100,000 or more. Products purchased for public account.	Sales Tax: 10% of ad valorem value. Import license Import license Special licensing terms Government procurement practices: a. price differential b. erratic bidding practices Bilateral agreements
Israel	Most machine tools	Import licensing
Pakistan	Machine tools from U.S. Machine tools Machine tools Machine tools	Prohibited Regulatory tax: 10% of dutiable value of goods Import and exchange licensing Import licensing
Turkey	Many types of industrial machinery, certain iron & steel products All imports Machine tools Machine tools Machine tools	Quotas Surtax: 15% of the assessed duty. Port tax: 2.5% of C.I.F. plus duty, surtax and cus- toms clearance costs. Stamp tax: 15% of C.I.F. value Production tax of 10% of sum C.I.F. value, customs duty, customs surtax, port tax and customs clearing expenses.

<u>COUNTRY</u>	<u>PRODUCTS</u>	<u>RESTRICTIONS</u>
Turkey (cont)	All imports	Consular invoice, fee ranging from 0.3% to 0.5% of f.o.b. value.
	All imports	Guarantee deposit: 70% or 100% in addition to Turkish lira equivalent of foreign exchange.
Republic of South Africa	Machine tools	Import licensing
Mexico	Many machine tools	Prior import license required
	Machine tools	Surtax: 3% of duty
	All imports	Consular fees

PROSPECTS FOR TRADE AND INVESTMENT IN JAPAN
BY THE
UNITED STATES MACHINE TOOL INDUSTRY

* * *

A Report of the U. S. Machine Tool Industry
Trade Mission to Japan:
March 25-April 2, 1968

* * *

P R E P A R E D
by
MEMBERS OF MISSION

Charles R. Devlieg, President of Devlieg Machine Company,
Royal Oak, Michigan

M. A. Hollengreen, President of Landis Tool Company,
Waynesboro, Pennsylvania

Arthur S. Nippes, President of Waterbury Farrell,
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Thomas R. Rudel, President of Rudel Machinery Company,
New York, New York
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Roy L. Morgan, Director of the Mission

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P R E F A C E

The U. S. Machine Tool Industry Trade Mission to Japan consisted of the following members:

Charles R. DeVlieg, President of DeVlieg Machine Company,
Royal Oak, Michigan

M. A. Hollengreen, President of Landis Tool Company,
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Arthur S. Nippes, President of Waterbury Farrell,
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Thomas R. Rudel, President of Rudel Machinery Company,
New York, New York
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New York, New York

Allen E. Stubbs, Vice President of Sales, Bryant Grinder
Company, Springfield, Vermont

Robert Ruan, United States Department of Commerce

Roy L. Morgan, Director of the Mission

The principal aims and purposes of this Mission were to ascertain what hidden barriers exist to the exportation of U. S. machine tools into Japan and to determine what restrictions exist for foreign investment in Japan. Specific actions which the Mission believes will improve the market for U. S. machine tools in Japan and the climate for U. S. investment in that country are set forth under "Recommendations" in this report.

The Mission also availed itself of the opportunity, while in Japan, to assess trade and investment opportunities in Korea.

Copies of the Mission's Report will be transmitted to the Machine Tool Builders Association (MTBA), the U. S. Departments of Commerce and State, the Export-Import Bank of the United States, and to the American Embassy in Japan.

RECOMMENDATIONS

1. The United States Embassy in Tokyo is requested to follow up with the Ministry of International Trade and Industry (MITI) and the Finance Ministry the Mission's findings concerning the hidden barriers to the importation of machine tools into Japan and the limitations on American foreign investments, including joint ventures, in Japan. (The Embassy should note that Mr. Michiyoshi Kawada, Chief, International Affairs Division, MITI, and Chairman of the MITI group, stated that MITI would accelerate its liberalization program.) In the event MITI fails to respond, consideration should be given to reciprocal treatment for imports of Japanese machine tools in the United States.
2. The U. S. Department of Commerce should investigate the problem of Japanese firms copying American machine tools. The Department is asked also to request the United States Embassy in Tokyo to pursue this matter with the appropriate Japanese Government agencies and officials.
3. With certain exceptions, most Japanese businessmen and government officials are not adequately informed regarding the American Export-Import Bank's loan and guarantee programs. It is recommended that the MTBA bring this situation to the attention of its members who export machine tools to Japan and urge that such members acquaint their prospective customers with the opportunities for American financing of machine tool exports to Japan.
4. The MTBA should inform its members that licensing agreements with Japanese companies are difficult to negotiate and usually result in only modest returns. Joint ventures in Japan are much more productive as dollar earners than licensing agreements.
5. The MTBA should point out to the industry Japanese criticism concerning the delay in delivery by American manufacturers of machine tools. Because of this delay, American machine tool exporters are losing business to third country competition.
6. In situations where the prospects are good for a sale of U.S. machine tools, the American seller should provide technical assistance to its Japanese representative. This may often raise sensitive questions of "face" on the part of the Japanese agent. However, technical assistance is important and should be provided if at all possible.

8. The Machine Tool Builders Association (MTBA) and the Korean Embassy in Washington should meet with officials of the U. S. Department of Commerce to discuss the exportation of machine tools into Korea and possibly American investments in Korea.

S U M M A R Y O F F I N D I N G S

Members of this Mission met with leaders of both the Japanese Government and industry from March 25 to April 2, 1968, analyzing and discussing the problems with which the U. S. machine tool industry is confronted in the exportation of machine tools into Japan, as well as the opportunity for foreign investment in Japan.

These officials included members of the Prime Minister's cabinet and other top government officials as well as the heads of the principal manufacturing companies in Japan, trade associations, leading economists, and others. Also, a lengthy discussion was had with Mr. Nobusuke Kishi, former Prime Minister and brother to the present Prime Minister, regarding importation of U. S. machine tools and U. S. investment in Japan.

The discussions were conducted in light of the overall balance of trade in machine tools between the U. S. and Japan. The United States exported approximately \$12,000,000 of machine tools to Japan in 1967 as against \$24,000,000 exported from Japan to the United States.

Officials of the leading machine tool firms of Japan admitted that the Ministry of International Trade and Industry (MITI) does not permit the free and uninhibited importation of machine tools from the U. S. It is a well-known "secret" that decisions by MITI often are based on protectionist considerations rather than commercial and economic judgments.

Despite assertions by Bureau heads of MITI that it approves all applications for imports of machine tools requested by Japanese industry, with three known exceptions, it was admitted that MITI procedures are complicated and time consuming. For example, even though applications were approved, an allocation of money for the purchase is required separately. In other words, an application might be approved at one step in the processing and disapproved at another.

Mission members explained that, through our Export-Import Bank in the United States, it was possible to finance purchase of machine tools on a 5- to 20-year basis at a rate of 6% per annum. The Japanese officials stated that they would not necessarily approve such transactions because Japan might eventually have to make good on the dollars. It was made clear to MITI officials that the subterfuge of clearing the importation of American machine tools but disapproving the financing or payment was not acceptable to members of the Mission.

With reference to foreign investment, MITI clearly stated that in principle it disapproved of foreign investment of 100% as well as joint ventures. MITI officials said that the most satisfactory arrangement for investment in Japan is through licensing agreements. The Mission explained to the MITI that from the U. S. point of view licensing agreements often proved to be unsatisfactory because of the relatively modest return, plus the fact that the licensor lost its patent within 10 years. Such licensing agreements proved to be not much more than a "give away."

Members of the Mission strongly urged Japanese Government officials, including MITI, that all it asks from the Japanese is the same treatment that the United States is giving Japan; that Japan should be reciprocal; that the U.S. does not fear Japanese competition but welcomes it; that foreign investment in Japan should be the same as foreign investment in the United States - up to 100%; and that there should be no hidden barriers or restrictions on importation of American products into Japan.

The Export-Import Bank's program of 5- to 20-years at the rate of 6% per annum met with considerable approval during the discussions with the Japanese. Therefore, the Finance Ministry of Japan should always be contacted in regard to American investment in Japan and financial arrangements in connection with importation of machine tools as it has concurrent jurisdiction with MITI in regard to these matters.

Japanese manufacturers complained of the delay in delivery of American machine tools by the U. S. manufacturers. The Mission urges that the U. S. industry attempt to rectify this barrier to increase sale of U. S. machine tools to Japan.

Some Japanese firms, it was learned, are copying American machine tools and selling them in Japan as their own product. This often places American manufacturers in an embarrassing situation.

The Honorable Min Yung Um, Korean Ambassador to Japan, met with members of the Mission and stated that Korea was interested in American investment up to 100% and would give fringe benefits and also help finance American investment in Korea. It was further stated that there was no problem of selling American machine tools in South Korea and that further effort should be made to contact interested companies in Korea for the purchase of American machine tools.

The news media on the work of the Mission has been excellent.

DISCUSSION OF TRADE AND INVESTMENT CLIMATE
IN JAPAN FOR U. S. MACHINE TOOLS

The talks of this Mission with the Japanese were forceful and it is believed they had a real impact on all with whom discussions were held. It was ascertained, not only from some top government officials but also industrial leaders, that career bureaucrats in government positions are making policy for Japan. The members of the Mission spoke forthrightly which apparently was appreciated by the Japanese. Many of the leaders of the Japan government were completely disgusted with MITI's handling of industrial problems and so expressed themselves.

Meeting With MITI Bureau Chiefs

Mr. Michiyoshi Kawada, Chief, International Economic Affairs Division, who was also Chairman of the MITI group at the meeting between MITI officials and the members of the Mission, advised that Japan was still in poor straits and still a half-developed nation and that it was trying to build itself up to a fully-developed country.

Toshihiko Nishiwaki, Chief, 1st Overseas Market Section, MITI, stated that as far as he knew, regarding machine tools, with few exceptions, there are no problems in issuing licenses and, as far as he knew, there are no quotas. The only restrictions are: (1) on planing millers over 2,000 millimeters; (2) planers over 2,000 millimeters; and (3) used machinery. Other than these three exceptions, there are no problems in the importation of liberalized machine tools. He was asked by members of the Mission how many applications regarding machine tools had been received and how many approved. He was unable to give the answers and said that they would try to keep a record of same in the future. He went on to say "when the businessman is in the low, Japan has to be careful."

Mr. Toshinobu Wada, Bureau Chief of MITI, said that all American machine-made tool applications were immediately approved with the exception of the three mentioned above by Mr. Nishiwaki. But when asked as to approval of the terms of payment, he attempted to evade the question. However, he answered that, although an application for machine tools may be approved, an additional approval of financial arrangements is still necessary. In other words, there are two steps in MITI concerning the importation of machine tools of America into Japan: (1) approval of the application; and (2) approval of the method of payment.

It was admitted reluctantly by MITI officials that this may be a hidden barrier since Japan does not have the dollars that "become a

matter of foreign exchange." He said that in the near future the Japan Government would further liberalize imports into Japan. When asked as to when, he avoided the question and refused to give an answer. He stated that 300 machine manufacturers in Japan would have serious difficulties if sudden liberalization took place. At this point, members of the Mission took over and explained in detail problems affecting American machines and that it did not believe Japan was living up to its agreement in the free importation of machine tools with the exception of the three categories mentioned above.

It was explained to them that the U.S. Export-Import Bank had a new program for financing exports and that its terms were most liberal, allowing a period of 5 to 20 years at 6% per annum and that, under these conditions, MITI should approve the financial arrangements. However, MITI said this would still affect the Japanese foreign exchange problem in view of the fact it would have to pay the same in dollars eventually. This seemed most illogical and ridiculous to the members of the Mission since MITI is projecting its fears too far into the future and that, with this argument, it could at any time prevent importation of any machine tools desired.

A complete discussion was had concerning foreign investment in Japan, and MITI quickly remarked that licensing agreements were preferred. It was pointed out in positive terms to MITI officials that licensing agreements were not advantageous to American manufacturers and that it was doubtful MITI could hope to get any licensing agreements in the future from American firms. Japan's chief hope for more foreign investment lies in encouraging the use of American patents and know-how in Japan's manufacturing.

Mr. Hollengreen and Mr. Rudel made it quite clear to members of the MITI that, if it should continue its manner of creating hidden barriers and reluctance to reciprocate in foreign investments, it is quite probable that the United States Congress would take some action to set up the same restrictions on Japanese imports into the United States. In regard to foreign investments, it was explained to MITI that the United States welcomes foreign investments even to the extent of 100% and that MITI's fears of United States control of Japanese industry were groundless in view of the fact that the government of each respective country really controls the actions of private industry and that Japan would have the same control of private industry that the United States has. It was also pointed out that foreign investments add to the income and development of our country and that we welcome such foreign investments with new ideas and dollars to invest in our United States; that Japan should also realize the benefits which come with foreign investments.

Mr. Kawada ended the meeting by saying that it was a most enlightening and productive discussion and that it would enhance the position of liberalization of machine tools and investment in Japan. He refused to give any date as to when this might occur but stated that it was hoped that it could be done in the very near future.

Members of the Mission strongly urged Japanese Government officials, including MITI, that all it asks from the Japanese is the same treatment that the United States is giving Japan; that Japan should be reciprocal; that the United States does not fear Japanese competition but welcomes it; that foreign investment in Japan should be the same as foreign investment in the United States - up to 100%; and that there should be no hidden barriers or restrictions on importation of American products into Japan.

The meeting with MITI was later discussed with Mr. Etsusaburo Shiina, the Minister of International Trade and Industry, and he was told that the meeting with the MITI officials was most unsatisfactory and the reasons why. Mr. Shiina was sympathetic and stated that he would look into the entire picture and try to see if something could be done to correct the situation.

The Mission met with Mr. Nobusuke Kishi, former Prime Minister and brother of Mr. Eisaku Sato, the present Prime Minister. In this connection, it should be noted that the Minister of International Trade and Industry, Mr. Shiina, is a close adherent and disciple of Mr. Kishi. The members of the Mission explained the entire problem to Mr. Kishi. Mr. Kishi was most agreeable and apparently realized that Japan must assume added responsibility. He recognized that Japan is handicapped with small business interests which MITI overly protects, and something must be done to rationalize this situation.

Naoki Hoshino, former Finance Minister and noted economist of Japan, stated that last fall the Japanese auto industry was cold and unyielding in its conference with the United States. He said they obviously were tough and that leaders of the Japanese industry realized it. He said that conditions are changing and leaders of Japanese industry are sympathetic with the American auto industry. He feels that the Japanese auto industry will be in trouble. He felt that, under this present gold crisis, it would be in Japan's best interests to do everything practicable to help the United States because "as the dollar goes so does the yen."

According to Mr. Hoshino, Japan prides itself on its economy and when their own reckless economic spending gets them into financial difficulty, where do they run - to Washington, of course. This prompt help goes beyond America's self-interest. Certainly the United States goes beyond what one could expect from a constantly maligned and abused neighbor.

Mr. Morihisa Emori, Managing Director of Mitsubishi Shoji Kaisha, Ltd., stated that Mitsubishi had imported more than \$48,000,000 worth of machine tools in 1967 but mostly European because of better delivery. He stated further that the American machine tool companies had difficulty in competing with European countries, not because of the quality of tools but because of lack of service and maintenance, delay in delivery, as well as the restrictions on the importation of American machine tools. He stated that the situation of machine tools in Japan has changed rapidly. Ten years ago there were no exporters of machine tools - today, they are building up this industry. He blames some of the hidden restrictions with which industry is well-acquainted on the Diet (Congress) and the Japanese Government bureaucracy which claims it is protecting small business when, in fact, they are acting to the detriment of Japan's development.

The members of the Mission met with the Japan Machine Tool Builders Association on March 29, 1968. Both sides defined their respective positions and exchanged views on various subjects, including the Japanese liberalization program for capital investment, technological imports and the surcharge issue. Mr. Tom Rudel was the Mission's chief spokesman at this meeting and explained very clearly the import surcharge issue to the satisfaction of the Japan Machine Tool Builders Association members. Also explained was the desire of the United States to expand her exports to Japan on a long and low interest credit basis and, at the same time, keeping her market open to the Japan machine tool exporters.

Our problems involving foreign investment in Japan were not greeted enthusiastically by the members of the Japan Machine Tool Builders Association. They were strongly in favor of licensing agreements. It was explained to them that certainly members of the Mission were not highly in accord and felt that licensing agreements would be few and far between in the future and that joint ventures would be the answer.

The meeting was friendly but, at the same time, the position of the American Mission was clearly explained. This seemed to have a real impact on the Japanese.

The Mission met with industrial leaders such as Taizo Ishizaka, President of Keidanren, Naoki Hoshino, economist, and Okinori Kaya, former Finance Minister and now member of the Diet. After the Mission's appeal for more liberal trade and investment policies by Japan, the industrial leaders agreed whole-heartedly that the Japanese Government should remove the barriers to machine tools imported from the United States and also to investment in Japan by American manufacturers. Japan would profit most in the end from such more enlightened policies.

In a discussion with Mr. Mosuki Kitoku, General Counsel and Vice Minister of the Ministry of Finance, he advised that the approval of financing of imports into Japan is a primary responsibility of the Finance Department and that it has no objection in approving any financial arrangements involving joint ventures and importation of American machine tools into Japan despite MITI's protective attitude.

It also appeared that the Ministry of Finance and the Ministry of International Trade and Industry did not see eye-to-eye on matters involving trade with the United States. Mr. Kitoku stated that there was too much 'red tape' in MITI and, at the same time, an overly protective attitude towards Japanese small business. It was gained from the meeting with Mr. Kitoku that anyone interested in joint investment in Japan and financial arrangements in connection with exportation of tools to Japanese firms would be wise to contact the Ministry of Finance in regard to any problems which may arise in regard to same. In view of Mr. Kitoku's statement, it seemed that American industry would have few problems with the Japan Ministry of Finance and, in the future, American firms might be wise not to consult with MITI alone but also with the Ministry of Finance.

In several of the discussions, when the question arose concerning U.S. Congressional surcharge on all imports, Mission Member Tom Rudel stated that a 5% surcharge on imports to the United States should not affect Japanese industry inasmuch as (1) this surcharge applied to all countries; (2) the rising prices in the United States would more than counteract the 5% surcharge. It was further pointed out by him that this is the time to buy machine tools because of the high-rising prices in the United States and the Export-Import Bank's program, which was of much interest to Nissan Motors. Nissan and others stated that one of the problems in purchasing American machine tools is the delay that occurs in the delivery by American manufacturers and that, because of this delay, some machine tools were imported from Europe. It is recognized by the automobile companies, Toyota Motor Company, Ltd. in particular, that machine tools are the heart and core of all manufacturing and that, if Japan wishes to go ahead, it must be able to purchase the latest and best of the machine tools made. Their only objection to American machinery is the poor delivery.

In summary, those who favored the American position in regard to the importation of machine tools into Japan and also foreign investment included: Nobusuki Kishi, former Prime Minister; Naoki Hoshino, former Finance Minister; Okinori Kaya, former Finance Minister; Taizo Ishizaka, President of Kiedanren; Japan National Business Council; leading industrialists such as Sumitomo Shoji Kaisha and Toyo Kogyo, Iaiichi Ayukawa, and Mr. Kitoku of the Finance Ministry.

Those who showed opposition included: Ministry of International Trade and Industry Bureau Chiefs, members of the Japan Machine Tool Builders Association and members of the National Federation of Small Business.

For the purpose of clarifying a situation which may arise, it was learned that many Japanese representatives of American firms are reluctant at times to admit that they can not handle the sale alone and, rather than lose face, they would rather lose the sale than bring in additional assistance from the American company which they represent. Therefore, whenever an American corporation feels that their Japanese representative is not in a position to fully explain details and technological products, it is advisable to send someone to assist the Japanese representative despite such representative's protestations.

It was also learned from various sources that some Japanese firms are copying American machine tools and selling them in Japan as their own product.

It was also learned that it was very difficult for American firms to police the Japanese firms who were selling U.S.-manufactured items to the Communist Chinese, although they had made agreements and commitments to the American firms not to do so.

It might be mentioned that during all of our discussions, both with industry and government officials, the Export-Import Bank's liberalization program for financing from 5 to 20 years at the rate of 6% seemed to be of great interest to everyone and many questions and answers were devoted to the discussions. It appears that the Export-Import Bank's program is not too well-known except by the major industries in Japan.

It is the conclusion of the members of this Mission that Japan has reached the importance in the world of industry which its capacity and ability merit and that she must liberalize all restrictions against investments and cast aside the unfounded fears many of her government officials share, for example, that the U. S. businessman may "gobble up" her industry entirely. It is the belief of this Mission that the progress and production of Asia will draw entirely on the present political direction of Japan. However, other countries like South Korea, Malaysia, Thailand and Indonesia are now showing confidence and vitality in their desire to increase their potential industrial capacities. Korea indicated this in its meeting between Mission members and the Korean Ambassador in Japan. This, Japan should be aware of and that competition of such nature will be faced in the future should it not open itself to further direct investment by U. S. manufacturers and others.

The Mission received excellent publicity, not only in the press but in the industrial and trade magazines in Japan. One item printed by the Nihon Keizai Shimbun, Ltd. (Japanese Economic Journal) of April 2, 1968, quoted an interview with members of the Mission as follows:

"Movie-Eye" (Column to introduce leading financial and industrial figures).

"The Mission remarked "Japan has grown up to an age at which she should take her own responsibilities. When I visited Japan with the Machine Tool Trade Mission in 1962, we urged MITI to accelerate liberalization of capital, however, we have found out, to our regret, that the promise made by MITI then has not been supplemented yet, though six years have elapsed since then. Concerning liberalization of importation of machinery, the door has not been opened hundred percent yet. We feel that liberalization of capital in Japan has been very much retarded and I should say that the steps being made by the Japanese Government toward capital liberalization are even going backward." The requests toward Japan sound pretty severe from the beginning in the interview. The interviewer refuted the statement made by Mr. Morgan saying that the Japan has been making strenuous efforts toward liberalization of capital under its five year plan. But Mr. Morgan pointed out that the Japanese Government has been so slow in effectuating the plan of liberalization. He continues, "In the trade between Japan and the United States, Japan enjoys a favorable balance: In consideration of the off-shore military procurement in Japan amounting to \$505,000,000 in addition to the favorable balance of her regular trade with the United States, Japan is placed in a very favorable situation economically. Machine tool exports from the United States to Japan are estimated at \$12 million a year in value, while Japan sells the U.S. her machine tools twice as much as she buys from the U.S., that is, the Japanese exports to the U.S. amount to \$24 million." "Especially in the past 5-8 years the level of Japanese machine tools has risen to a great extent and strengthened its international competitive power" one of the mission members who attended the interview pointed out. It is true that the total exports of machine tools from Japan last year enjoyed 27 percent increase compared with previous year when the industry enjoyed the exports amounting to \$49 million, but the industrial circles view that only one percent increase is expected this year in the export of machine tools to the United States on account of the strengthening dollar defence measures being applied in the United States. For the Japanese industry, the controversial import surcharge in the U.S. is a very serious problem." Mr. Morgan's comments on the import surcharge are as follows: "We have been given hundreds of questions about this problem in the meetings we have had and we explained the situation of the U.S. in each of the meetings." Mr. Morgan continued, "I am afraid that

the movement toward implementation of the import surcharge in the U.S. cannot be checked at this moment. Japan as well as other countries in Europe is defending herself, too, isn't she? Furthermore, this is not a permanent measure but only a temporary one." To the question of the interviewer whether the U.S. machine tool industrial circles support the implementation of the import surcharge, he answered with a kind of complicated feeling, "We cannot say anything definite about it as a representative of the industrial circles in the United States. The U.S. Government cannot neglect the pressures of the Congress which is supported by the industries in the U.S." Although he understands that Japan is much smaller than the United States and unnecessarily fears the American protectionism, he emphasizes: "It may be more advantageous for Japan to let American capitals advance into Japan to produce efficient and high quality machine tools with the advanced U.S. technology and turn its products to the exports to the South Eastern nations. Japanese businessmen are afraid of the deprivation of the ownership of business by U.S. investments and furthermore, majority of Japanese machine tool manufacturers are what is called, medium and small enterprises. Mr. Morgan revealed the proposal of the U.S. financial assistance through the American Ex-Im Bank to the Japanese imports of U.S. machine tools, offering a condition of annual interest of six percent and the credit term of 5-20 years. He further stressed that the selection of subject companies to this loan has been more liberalized. "This information has not been publicized in Japan yet and I suggest anyone who is interested in obtaining further information about this matter should give his inquiries to the Commercial Counselor of the U.S. Embassy in Tokyo. I firmly believe that these revised conditions of the American Ex-Im Bank are quite favorable compared with the conditions being offered by other financial organizations in the world." He does not forget to publicize the American financial proposal as one of the measures for dollar defence in the U.S. which is now under consideration of the implementation of various export promotional measures. Especially on March 20, President Johnson appealed to the Congress to approve the U.S. Government's five years plan for the promotion of exports centering on the establishment of the export promotion fund amounting to \$500 million and the necessary financial measures accompanying it. Other measures are also being considered such as increase of loan for the exports from private banks through the U.S. Ex-Im Bank. "This is not a new measure, however, the conditions have been more liberalized."

It is interesting to note that Australia also criticized the trade protection methods of the Japanese with international trade and liberalization as evidenced by the following article in the Japan Times, dated March 27, 1968:

"Australian manufacturers Thursday criticized Japanese trade protection methods, saying Australia was far behind Japan in the "art" of trade protection.

"This criticism, and others, came in a statement issued by the president of the Australian Associated Chambers of Manufacturers, W. W. Pettingell.

"He described the criticism of Japanese methods by Australian Trade Minister John McEwen this week as a blunt denouncement that was a necessary if perhaps overdue reminder of Japan's own approach to protecting its own markets.

"Pettingell said it was time Australians stopped going on the defensive in trade rows with the Japanese and said the Japanese were "past masters in verbal offensive" in trade competition.

"The present controversy on Japan-Australia trade relations had underscored the vital need for both countries to have a comprehensive understanding of each other's problems," Sir Edward Warren, president of the Australia-Japan Business Cooperation Committee, said Thursday.

"Sir Edward said the committee was helping to eliminate areas of misunderstanding.

"Influential businessmen from Japan who are active members of the Japanese committee have agreed with Australian members to recognize the right of each other's government to protect its own domestic industry," Sir Edward said.

"The Australian committee has never backed away from protecting the Australian viewpoint on the federal government's policies and protection.

"I am pleased to say the Japanese members have been equally as frank and sincere in their attitudes."

"Sir Edward said a meeting between the Japanese and Australian committees in May would present an excellent forum to air some of the current problems."

It might be said that there is no question that Japan has a bureaucratic system within its industry. This is particularly true of MITI which is set up to protect local industry, especially small business. However, it is believed that its attempt to over-protect is defeating Japan's own self-interest, particularly with respect to more technological developments. In the United States we welcome foreign investment, even to the extent of 100%. It adds to the increment and economic development of our country. It appears that MITI does not realize that free trade is a basis for mutual respect and understanding and, at the same time, aids greatly in the development of its own country and its resources.

At the request of the Mission, the Honorable John Shaw, Commercial Counselor, U. S. Embassy, Tokyo, summarized the present status of the Japanese market for U.S. machine tools, which report is as follows:

Market for U.S. Machine Tools: Key Factors

I. The Market

The Japanese machine tool market is somewhat elastic and easily influenced by a number of outside factors. Out of a \$330 million market in 1967, imported machine tools accounted for about \$36 million, up 69 percent from the preceding year. American suppliers boasted a 40 percent share or \$14 million in sales with major purchases being made by the Japanese automotive, steel and shipbuilding industries.

The local machine tool industry is characterized by strong competition between a large number of medium-sized firms (250-300) and a few large manufacturers. Approximately 40 Japanese producers in this field have purchased technology through 60 licensing agreements with foreign firms, 20 of which are major U.S. suppliers. New orders received by 70 major builders of metal cutting machine tools in 1967 were valued at \$395 million, or an increase of 39 percent over the preceding year. Of the total, 11 percent was represented by foreign orders and the rest, by domestic orders (see table). Prospects for the future are for a more selective market in which newer technologies (e.g. n/c machine tools) will play the determining role.

II. Import Duties and Barriers

Import duties on machine tools range from 15 to 25 percent. These will be reduced by one-half before January 1972 under Kennedy Round concessions. A license is required for the import of machine tools; however, this license is usually granted automatically for all categories with the exception of (1) used machine tools and (2) large plano-millers and planners (equipment with a 2,000 milometer wide table or larger).

III. Capital Liberalization

Capital investments in the machine tool field are approved on a case-by-case basis by MITI. The investment process usually entails prolonged negotiations and extensive review by the Japanese Government and Japanese firms in the same field. It is anticipated that capital "liberalization" will take place in the machine tool industry by 1971; we do not know, however, the extent to which foreign investments will actually be freed from Government control.

IV. Financing Restrictions

As a general rule, there are no restrictions or impediments to the import and sale of foreign machine tools. There are, however,

restrictions applied to methods of payment that directly affect them. Foreign exchange control regulations, as enforced by MITI and the Ministry of Finance, are as follows:

1. Standard Payment -- Any transaction that uses a method of standard payment is approved automatically by MITI. This method is defined among others as: (a) payment of the complete price of the goods upon receipt of shipping documents; (b) payment within 120 days after customs clearance; or (c) in case of machinery import, payment of one-half the value prior to import or an amount not exceeding \$5,000.
2. Non-standard Method of Payment -- All methods of payment other than the "standard" are considered to be "non-standard". In such cases, prior permission for "non-standard" payment must be received from MITI and from the Ministry of Finance which involves an extensive review of each application. The "non-standard guidelines" for approval, which exist on a confidential basis within MITI, are reportedly as follows:

<u>Price of machine</u>	<u>Period of deferred payment</u>	<u>Interest rate</u>
\$50,000 per unit or less	up to 1 year	5.5% or thereabouts
\$50,000 - \$300,000 per unit	" " 2 years	5.75 - 6%
\$300,000 or more per unit	" " 3 years	6.5% or thereabouts

If an import transaction meets the above terms, approval will be given relatively soon, usually within two or three weeks. However, American machine tool suppliers do not ordinarily use this type of deferred payment schedule and thus are seldom concerned with this particular procedure.

3. Exceptions to Recognized Methods of Payment -- The major problems experienced by foreign suppliers and their Japanese importers lie in the field of exceptions to the above-listed methods of payment. In transactions where the financial terms differ from the above or time factors are not consistent, MITI with Ministry of Finance acquiescence will reportedly obstruct some import applications. One source estimated that machine tool imports valued at \$3 million or more were affected by MITI under these conditions in 1967. Although this

problem appears to affect European suppliers more than others, it is reported to have affected certain sales of American machine tools being financed by EXIM Bank loans to local automotive buyers.

Recent Developments -- Two organizations have recently moved against MITI's administration of these restrictions. The Ministry of Finance has reportedly requested MITI to generally liberalize its approval procedures for non-standard payment applications for Balance-of-payments purposes. The Japan Machinery Importers Association has gone into the problem in greater depth and has proposed that the following procedures be adopted:

1. MITI should liberalize and publish its hitherto "secret" criteria for approving deferred-payment applications. Only a limited number of exceptional transactions should be subject to in-depth scrutiny and Ministerial re-negotiation.
2. All other transactions which fall within the published guidelines should be approved automatically.
3. Internal procedures within the Ministry should be simplified to allow faster and easier processing (e.g. authority to issue licenses be given to MITI's Import Administration Section with information notices to other sections).
4. Permission should be given to importers to alter their approved import licenses subsequent to their issuance as a means of meeting changing conditions.

MITI is reportedly giving serious consideration to these proposals.

V. Other Competitive Factors

Other competitive factors are generally well-known by American businessmen. Sales of U. S. machine tools depend more on technology and durability factors than on price. Delivery schedules are often quite important and reportedly provide a competitive edge to European suppliers which boast of significantly shorter delivery periods. Service, availability of parts supply, and technical assistance are of equal importance and account for the large number of foreign firms maintaining permanent offices in Japan.

Japan Machine Tool Industry\$ million

	CY 1967		JFY 1968	
	<u>Value</u>	<u>U.S. share</u>	<u>Value</u>	<u>(projected)</u>
Production	346 (up 63%)		375	
Imports	36 (up 69%)	40%	40-60	
Exports	49 (up 21%)	45%	53	

The Korean Ambassador, Mr. Min Yung Um, requested a meeting with members of the Mission, which was arranged. During this meeting at the Korean Embassy, he stated they would welcome American investment up to 100% and would give fringe benefits such as no taxes for 5 years and also help finance such investments, pointing out that Korea was planning to advance into Southeast Asia with its products in competition with Japan. He further stated that there was no problem of importation of American machine tools into South Korea. He asked that members of the Mission fly to Korea to discuss this further, however, in view of the fact that the Mission was limited to Japan at this time, he was advised that this would be discussed with Washington and consideration given to an industrial mission being sent to Korea to discuss this matter further.

Japanese Government and Business Contacts
Made by the U.S. Machine Tool Industry Trade Mission
to Japan: March 25-April 2, 1968

March 25, Monday

Nihon Keizai Shimbun, Ltd. (Japan Economic Journal)
 5 Ote-machi 1-chome, Chiyoda-ku, Tokyo

Mr. Sunao Nakagawa, Director and Executive Editor
 Mr. Hiroshi Kurokawa, Economic Editor
 Mr. Akira Arai, Political Editor
 Mr. Tatsuo Watanabe, Associate Foreign Editor

The Nihkan Kogyo Shimbun, Ltd. (Industrial Daily News, Ltd.)
 8-10 Kudankita 1-chome, Chiyoda-ku, Tokyo

Mr. Toshio Shirai, President
 Mr. Kinzo Asakura, Managing Editor
 Mr. Masahiko Tachibana, Editor of International Division
 Mr. Hitoshi Shoji, Deputy Editor of Industrial Division

March 26, Tuesday

Japan Machinery Importers Association
 Shoko Kaikan Bldg., Sannen-cho, Chiyoda-ku, Tokyo

Representatives from 13 major machine tool importers,
 including Mr. Mosaburo Yamada, President, Yamatake &
 Co., Ltd. and Mr. Mitsuyuki Sakoda, Manager, Amertool
 Sales & Service (Japan) Ltd.

March 27, Wednesday

Sumitomo Shoji Kaisha, Ltd.
 Tokyo Office: 1 Kanda Mitoshiro-cho, Chiyoda-ku, Tokyo

Mr. Seishi Arisaka, Manager, Machinery Development Dept.
 Mr. Kyoji Otani, Manager, Electrical Export Dept.
 Mr. Isaya Taira, Vice President, Sumitomo Shoji New York, Inc.
 Mr. Hayao Motomatsu, Overseas Business Division, Nippon
 Electric Co., Ltd.

Mitsui & Co., Ltd.

2-9 Nishi-Shimbashi 1-chome, Minato-ku, Tokyo

Mr. Katsuji Rinoiye, Managing Director
Mr. Tetsujiro Nakamaru, Manager, General Machinery Dept.
Mr. Teruo Sawaji, Deputy Manager, General Machinery Dept.

Mr. Eisaku Sato, Prime Minister

Official Residence: 3 Nagata-cho 2-chome, Chiyoda-ku, Tokyo

(Met at Prime Minister's Office in Diet Building)

National Federation of Small Business Associations

Kikai Shinko Kaikan Bldg., 1-5 Shiba Koen 21-gochi,
Minato-ku, Tokyo

Mr. Shoji Koyama, President (also Member of House of
Representatives)
Mr. Masataka Kuroda, Vice President (Nagoya)
Mr. Mitsuru Ota, Vice President (Osaka)
Mr. Hatsushiro Hachiya, Vice President (Okayama)
Mr. Miyao Inagawa, Managing Director
Mr. Takehiro Okawa, Staff-member

and Directors numbering about 40.

March 28, Thursday

Ministry of International Trade & Industry (MITI)

3 Kasumigaseki 1-chome, Chiyoda-ku, Tokyo

International Trade Bureau:

Mr. Michiyoshi Kawada, Chief, International Economic
Affairs Division
Mr. Toshihiko Nishiwaki, Chief, 1st Overseas Market Section
Mr. Yoshiki Kobayashi, Chief, Import Administration Section

Heavy Industry Bureau:

Mr. Toshinobu Wada, Chief, Industrial Machinery Section
Mr. Shigeru Otsuka, Chief, Heavy Industrial Product
Export Section

Mitsubishi Shoji Kaisha, Ltd.

20 Marunouchi 2-chome, Chiyoda-ku, Tokyo

Mr. Morihisa Emori, Managing Director

Mr. Fumihiko Tani, Deputy Manager, General Machinery Dept.

Mr. Takeshi Nakayama, Chief, Machine Tool Division B

Ministry of Finance

2 Kasumigaseki 2-chome, Chiyoda-ku, Tokyo

Mr. Masayuki Kitoku, Deputy Vice Minister

March 29, Friday

Nippon Kinzoku Kogyo Co., Ltd.

15-14 Tsukiji 2-chome, Chuo-ku, Tokyo

Mr. Takeshi Aoo, Deputy Chief, Foreign Trade Division
(met at Hotel Okura)

Japan Machine Tool Builders Association

Kikai Shinko Kaikan Bldg., 1-5 Shiba Koen 21-gochi,
Minato-ku, Tokyo

Mr. Masaaki Ichikawa, President (also President of
Japan Machine Tool Trade Association, and President
of Hitachi Seiki Co., Ltd.)

Mr. Kazuo Sugiyama, Managing Director

Mr. Mitsuo Ueda, Managing Director, Japan Machine Tool
Trade Association

Mr. Koichi Okuma, President, Okuma Machinery Works, Ltd.

Mr. Ryutaro Kimura, President, Toyoda Machine Works, Ltd.

Mr. Takeo Kawamata, President, Ikegai Iron Works, Ltd.

Mr. Tsunezo Makino, President, Makino Milling Machine Co., Ltd.

Mr. Masashi Funato, Managing Director, Toshiba Machine Co., Ltd.

Mr. Takeshi Maruo, Auditor, JETRO

March 30, Saturday

Toyo Kogyo Co., Ltd.

6047 Fuchu, Aki-gun, Hiroshima Prefecture

Mr. Kohei Matsuda, Vice President

Mr. Seizo Takebayashi, Executive Director

April 1, Monday

Mr. Nobusuke Kishi, Former Prime Minister
Kishi Office: Nisseki Bldg., 3 Nishi-Shimbashi 1-chome,
Minato-ku, Tokyo

Mr. Etsusaburo Shiina, Minister of International Trade
& Industry
MITI Bldg., 3 Kasumigaseki 1-chome, Chiyoda-ku, Tokyo

April 2, Tuesday

Toyota Motor Co., Ltd.
Tokyo office: Hibiya Mitsui Bldg., 12-1 Yuraku-cho 1-chome,
Chiyoda-ku, Tokyo

Mr. Masao Yamamoto, Executive Director
Mr. Akira Sakuma, Director
Mr. Shotaro Kamiya, President, Toyota Motor Sales Co., Ltd.

Nissan Motor Co., Ltd.
6 Ginza Higashi 6-chome, Chuo-ku, Tokyo

Mr. Hisakichi Ota, Managing Director
Mr. Kaichiro Nishio, Managing Director
Mr. Sadamichi Sasaki, Managing Director
Mr. Hiroshi Oga, Manager, International Dept.

Note:

1. On March 26 (Tuesday), the Mission also visited Korean Embassy, 2-5 Minami Azabu 1-chome, Minato-ku, Tokyo, and met with Mr. Min Yung Um, Ambassador to Japan, and with Mr. Min Kil Chung, Chief of Economic Section.
2. Japanese who met with Mr. Morgan on a personal basis are not included in the above listing.

James A. Gray, Executive Vice President

Appendix L

March 15, 1968



2139 WISCONSIN AVENUE
WASHINGTON, D. C. 20007
AREA CODE (202) 337-8270

The Chairman
Committee for Statistical Annotation
of Tariff Schedules
United States Tariff Commission
Washington, D. C. 20436

Dear Mr. Chairman:

The Machine Tool Industry requests an extension of the categories for import statistics of machine tools.

The following categories are suggested:

TSUSA 6743000 Machine Tools for Cutting or Hobbing Gears

1. Gear hobbers
2. All other machine tools for cutting or hobbing gears

TSUSA 6743220 Drilling Machines

3. Sensitive drilling machines
4. Vertical drilling machines
5. Radial drilling machines
6. All other drilling machines

TSUSA 6743240 Milling Machines

7. General purpose (knee or bed)
8. Profile machines and duplicators
9. All other milling machines

TSUSA 6743260 Boring Machines and Vertical Turret Lathes

10. Horizontal boring machines
11. Vertical boring machines
12. Precision boring machines
13. Jig boring machines
14. All other boring machines

TSUSA 6743520 Lathes, except Vertical Turret Lathes

15. Manufacturing and tool room lathes
16. Turret lathes
17. Automatic chucking lathes
18. Automatic between center lathes and right angle carriage
19. Screw bars
20. All other lathes

TSUSA 6743530 Grinding Machines

21. External cylindrical - Universal
22. External cylindrical - Centerless
23. External cylindrical - All others
24. Surface grinders
25. Tool and cutter grinders
26. All other grinders

TSUSA 6743540 Metal Cutting Tools, NEC

27. Tapping and threading machines
28. Centering machines
29. All other metal cutting tools

TSUSA 6743550 Metal Forming Machine Tools

1. Punching and shearing machines
2. Mechanical presses
3. Thread rolling machinery
4. All other metal forming machinery

The 29 metal cutting categories suggested, and the 4 metal forming categories suggested all conform to existing SIC categories.

Detailed descriptions and justifications are attached.

We shall be glad to give you any further information required.

The increase in machine tool imports has been so rapid that the Industry is severely handicapped by the lack of valid statistics on the type of machine tools involved. We hope that data for the suggested categories can be collected and published at the earliest possible time.

Sincerely,

James A. Gray
Executive Vice President

(Enclosure)

cc: Messrs. Lawrence C. McQuade)
Lawrence A. Fox)

Department of Commerce

March 15, 1968

Description of, and
Justification for
ADDITIONAL IMPORT CATEGORIES
Required for
METAL CUTTING and METAL FORMING MACHINE TOOLS

Submitted by the
National Machine Tool Builders' Association

- 1) TSUSA 6743000 Machine Tools for Cutting or Hobbing Gears,
Suggested Categories:
 - 1 a) SIC 3541-31 Gear Hobbers
 - 1 b) All Other Machine Tools for Cutting or Hobbing Gears

Justification: Imports of machine tools for cutting or hobbing gears have increased from \$1.4 million in 1964 to an estimated \$3.8 million in 1967.

In a recent survey on trade and tariffs, 94 responses were received from machine tool builders, representing 63.3 percent of all 1966 sales. Six respondents indicated that they produced items falling into TSUSA 6743000. When asked as to the most severe competition by foreign machine tools, gear hobbers were mentioned four times, all other items in this category twice. Gear hobbers were also mentioned twice among the items whose production may have to be discontinued, for which plans or production have been discontinued, or for which bids to the U.S. Government were lost to foreign manufacturers.

The significance of imports of this type is also indicated by the fact that Germany reports exporting to the United States in 1966 two categories of gear cutting machines (cylindrical and non-cylindrical) with a total value of \$2.4 million, and Japan reports hobbing machine exports of \$195,000

- 2) TSUSA 6743220 Drilling Machines
Suggested Categories:
 - 2 a) SIC 354121 Sensitive Drilling Machines
 - 2 b) SIC 354122 Vertical Drilling Machines
 - 2 c) SIC 354123 Radial Drilling Machines
 - 2 d) All Other Drilling Machines

Justification: Imports of drilling machines increased from \$1.5 million in 1964 to an estimated \$8.3 million in 1967.

In the survey already mentioned, 17 respondents indicated that they were engaged in the manufacture of drilling machines.

The suggested new categories were mentioned as severe competition as follows:

Category	(1.) Most Severe Competition	(2.) Other Mentions
	Number of mentions	
Sensitive drilling machines	2	--
Vertical drilling machines	1	3
Radial drilling machines	7	7

(1) "Machine Tools Which Offer Most Severe Competition"

(2) "Machine Tools Which May Have To Be Discontinued Due To Imports"

"Machine Tools For Which Plans Or Production were Discontinued Due To Imports"

"Machine Tools For Which Bids To The U.S. Government Were Lost To Foreign Manufacturers"

Japan reports 1966 exports to the United States of radial drilling machines valued at \$675,000 and other drilling machines valued at \$221,000.

3) TSUSA 6743240 Milling Machines

Suggested Categories:

- 3a) SIC 3541-62 & 63 General Purpose (Knee or Bed)
- 3b) SIC 3541-651 Profile Machines and Duplicators
- 3c) All Other Milling Machines

Justification: Imports of milling machines increased from \$3.3 million in 1964 to an estimated \$30.8 million in 1967.

In the survey already mentioned, 16 respondents indicated that they produced milling machines.

The suggested new categories were mentioned as severe competition as follows:

Category	(1.) Most Severe Competition	(2.) Other Mentions
	Number of mentions	
Knee-type, except bench type	10	3
Profile machine and duplicators	2	-
Planer and ram type	2	2

(1) "Machine Tools Which Offer Most Severe Competition"

(2) "Machine Tools Which May Have To Be Discontinued Due To Imports"

"Machine Tools for Which Plans Or Production Were Discontinued Due To Imports"

"Machine Tools For Which Bids To The U.S. Government Were Lost To Foreign Manufacturers"

The significance of imports of milling machines is also indicated by the fact that France reports exporting to the United States in 1966 four categories of milling machines:

With console, over 5000 kg.	Value \$ 24,100
With console, 5000 kg. or less	" 191,700
Fixed table, over 5000 kg.	" 135,000
Fixed table, 5000 kg. or less	" 123,000

Germany exported to the U.S. in 1966 three categories:

Horizontal boring and milling machines	\$2,616,000
Hand lever, console, and tool milling machines	1,465,000
Other milling machines	2,089,000

Italy exported to the U.S. in 1965 four categories (incl. reaming),

Reaming machines, shank diameter 75-120 mm	\$ 55,000
Mobile standard reaming and milling machines of more than 200 mm	369,000
Reaming machines - other	1,673,000
Milling machines - other	2,243,000

Japan reports exports of "Other milling machines" of \$4,138,000

4) TSUSA 6743260 Boring Machines and Vertical Turret Lathes

Suggested categories:

- 4a) SIC 354111 Horizontal boring machines
- 4b) SIC 354112 Vertical boring machines
- 4c) SIC 354115 Precision boring machines
- 4d) SIC 354117 Jig boring machines
- 4e) All Other Boring Machines

Justification: Imports of boring machines increased from \$3.8 million in 1964 to an estimated \$19.4 million in 1967.

In the survey previously mentioned, 12 respondents indicated that they produced boring machines.

The suggested new categories were mentioned as severe competition as follows:

Category	(1.)	(2.)
	Most Severe Competition	Other Mentions
	Number of mentions	
Horizontal boring machines	7	-
Vertical boring machines	4	2
Precision boring machines	3	-
Jig boring machines	6	1

(1) "Machine Tools Which Offer Most Severe Competition"

(2) "Machine Tools Which May Have To Be Discontinued Due To Imports"

"Machine Tools For Which Plans Or Production Were Discontinued Due To Imports"

"Machine Tools For Which Bids To The U.S. Government Were Lost To Foreign Manufacturers"

The significance of imports of boring machines is also indicated by the following exports to the United States from:

United Kingdom, 1966:

Vertical boring machines	\$272,000
Horizontal boring machines	616,000
Other boring machines	--

Germany, 1966

Boring machines, NEC	340,000
Vertical boring machines	244,000
Radial boring machines	489,000

Japan, 1966

Horizontal boring machines	661,000
Jig boring machines	266,000
Other boring machines	333,000

5) TSUSA 6743520 Lathes, Except Vertical Turret Lathes

Suggested categories:

SIC 3541 - 52/53	Manufacturing and tool room lathes
SIC 3541 - 55	Turret lathes
SIC 3541 - 56	Automatic chucking lathes
SIC 3541 - 57	Automatic between center and right angle carriage lathes
SIC 3541 - 58	Screw bars and other
All other lathes	

Justification: Imports in this category are the most severely felt. They increased from \$8.9 million in 1964 to an estimated 1967 total of 48.9 million.

The NMTBA survey disclosed 21 respondents manufacturing lathes.

The suggested import categories were mentioned as severe competition as follows:

Category	(1.) Most Severe Competition	(2.) Other Mentions
	Number of mentions	
Manufacturing and tool room lathes	17	12
Turret lathes	8	1
Automatic chucking lathes	6	-
Automatic between center and right angle carriage lathes	5	-
Screw bar machines and other	6	2
All other lathes	1	-

(1) "Machine Tools Which Offer Most Severe Competition"

(2) "Machine Tools Which May Have To Be Discontinued Due To Imports"

"Machine Tools For Which Plans Or Production Were Discontinued Due To Imports"

"Machine Tools For Which Bids To The U.S. Government Were Lost To Foreign Manufacturers"

The significance of imports of lathes is also indicated by the following exports to the United States from:

Germany, 1966:

Center, multicut, copying lathes	\$2,309,000
Caroussel, facing and center lathes	1,995,000
Other lathes	610,000
Turret lathes	203,000
Single spindle automatic lathes	4,531,000
Other automatic lathes	292,000

France, 1966:

Sliding and screw cutting, surfacing	1,638,000
Semi-automatic turret lathes	495,000
Vertical	457,000
Automatic	2,223,000

Italy, 1966:

Lathes, automatic	771,000
Lathes, semi-automatic	715,000
Lathes, other	1,846,000

United Kingdom, 1966:

Automatics, Bar and Chucking	1,438,000
Capstan and Turret	967,000
Other	3,969,000

Japan, 1966:

Center lathes	5,622,000
Copying lathes	72,000
Automatic lathes	981,000
Vertical lathes	41,000
Other lathes	2,025,000

6) TSUSA 6743530 Grinding Machines

Suggested Categories:

SIC 3541-413 External cylindrical - Universal
 SIC 3541-416 External cylindrical - Centerless
 SIC 3541-411, 415, 419 External cylindrical - All Others
 SIC 3541-43 Surface grinders
 SIC 3541-45 Tool and Cutter grinders
 All Other Grinders

Justification: Imports in the grinder category were \$4.9 million in 1964. In 1967 they are expected to be \$16.1 million. 23 of the 94 NMTBA respondents said they were manufacturing grinders. The suggested import categories were mentioned as follows:

Category	(1.)	(2.)
	Most Severe Competition	Other Mentions
External Cylindrical-Universal	3	1
External Cylindrical-Centerless	2	-
External Cylindrical-All Others	5	2
Surface Grinders	5	1
Tool and Cutter Grinders	4	-
All Other Grinders	6	1

- (1) "Machine Tools Which Offer Most Severe Competition"
- (2) "Machine Tools Which May Have to Be Discontinued Due To Imports"
- "Machine Tools For Which Plans Or Production Were Discontinued Due To Imports"
- "Machine Tools For Which Bids To The U.S. Government Were Lost To Foreign Manufacturers"

The significance of imports of grinding machines is also indicated by the following 1966 exports to the United States from:

France:

Grinding machines without micrometric adjustments	\$29,000
" " with " "	90,000

Japan:

Internal grinding machines	31,000
Surface grinding machines	217,000
Other grinding machines	848,000

Germany:

Circular grinding machines with micrometric adjustments	1,834,000
Surface grinding machines	1,239,000
Other grinding machines with micrometric adj.	2,203,000
Grinding machines without micrometric adj.	337,000

7) TSUSA 6743540 Metal Cutting Tools, NES

Suggested Categories:

- 7a) Tapping and threading machines
SIC 3541849 to 3541861
- 7b) Centering machines 3541865
- 7c) All other metal cutting machine tools

Justification: Imports of metal cutting tools not elsewhere specified amounted to \$6.7 million in 1964. In 1967, the total is estimated as \$25.8 million.

Twenty-three of the 94 NMTBA respondents said they were manufacturing items in this catch-all category. The suggested import categories were mentioned as follows:

Category	(1.)	(2.)
	Most Severe Competition	Other Mentions
	Number of mentions	
Tapping & Threading Machines	3	-
Centering Machines	2	1
All other	2	1

- (1) "Machine Tools Which Offer Most Severe Competition"
- (2) "Machine Tools Which May Have To Be Discontinued Due To Imports"
- "Machine Tools For Which Plans Or Production Were Discontinued Due To Imports"
- "Machine Tools For Which Bids To The U.S. Government Were Lost To Foreign Manufacturers"

The significance of the tapping and threading machines is indicated by the fact that France, alone in 1966 exported to the U.S. \$294,000 of threading and tapping machines and the United Kingdom \$663,736 in screwing and threading machines.

8) TSUSA 6743550 Metal Forming Machine Tools

Suggested Categories:

- 8a) SIC 3542-11 Punching and Shearing
- 8b) SIC 3542-21 to 25 Mechanical Presses
- 8c) SIC 3542-343 Thread rolling
- 8d) All Other

Justification: Imports of metal forming tools amounted to \$5.7 million in 1964. In 1967 they are expected to be \$25.1 million.

Twenty-five of the 94 respondents said that they were manufacturing metal forming tools.

The suggested import categories were suggested as follows:

Category	Most Severe	Other
	Competition	Mentions
	Number of mentions	
Punching and shearing machines	2	1
Mechanical presses	6	1
Thread rolling machines	2	-
Other	1	-

The significance of imports of different forming machines is indicated by the following breakdowns of exports, in 1966, from the following countries to the United States: United Kingdom:

Punching and shearing	\$ 174,000
Hydraulic presses	199,000

France:

Shearing, rolling, bending machines	44,000
Hydraulic presses	226,000

Germany:

Mechanical presses	511,000
Other presses	632,000
Hydraulic presses	1,721,000
Shears and punches	2,672,000
Bending, folding, etc.	330,000
Free forging hammers	227,000
Drawing machines	471,000
Wire drawing machines	1,047,000
Wire product machines	1,490,000

Sources: FRANCE:
STATISTIQUE DU COMMERCE EXTERIEUR DE LA FRANCE, 1966

GERMANY:
STATISTISCHES BUNDESAMT, AUSSENHANDEL, 1966

ITALY:
STATISTICA MENSILE DEL COMMERCIO CON L'ESTERO,
December 1966

JAPAN:
JAPANESE MACHINE TOOL INDUSTRY, Metal Cutting Type 1967,
JAPAN MACHINE TOOL TRADE ASSOCIATION
pp 10-11

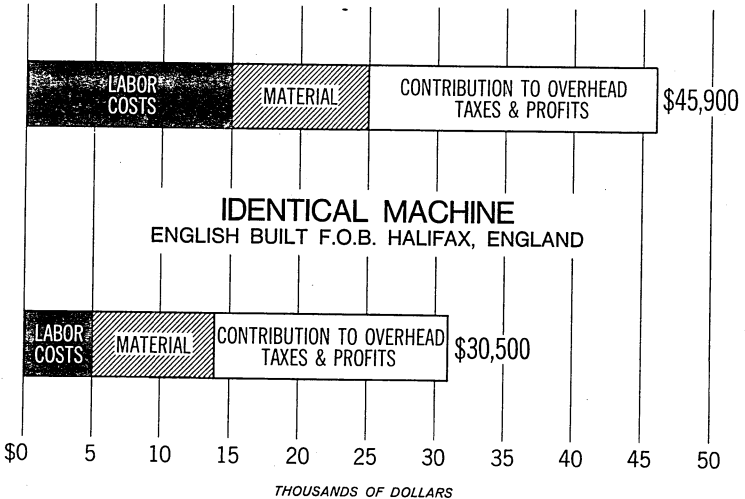
UNITED KINGDOM:
ANNUAL STATEMENT OF THE TRADE OF THE UNITED KINGDOM,
Volume III, H.M. STATIONERY OFFICE

National Machine Tool Builders' Association
Foreign Trade and Tariff Survey of the Machine Tool Industry,
December 1967.

PRICE OF SINGLE SPINDLE AUTOMATIC CHUCKING MACHINE

U.S. BUILT F.O.B. CLEVELAND, OHIO

Comparison of Cost and Prices of Identical U.S. - and English-Built Single Spindle Automatic Chucking Machine



Mr. BURKE. Thank you. You may proceed.

STATEMENT OF DANIEL W. LeBLOND

Mr. LeBLOND. I will proceed, Mr. Chairman. Mr. Chairman and members of the committee, my name is Daniel W. LeBlond. I am president and general manager of the R. K. LeBlond Machine Tool Co. of Cincinnati employing approximately 1,100 people in its lathe operations, which is its principal business.

I am grateful for the opportunity to appear on behalf of my company and in support of the position of the machine tool industry.

The point of my statement is to emphasize that the manufacture of our product involves a high labor content and that labor rates in this country are noncompetitive with foreign labor rates, and I wish to comment on the trend which has developed in the importation of lathes and the effect of this trend on the industrial and defense position of the United States.

The engine lathe is a basic tool of manufacturing, universally necessary in all industry. This product represents our largest product line.

Without indicating company names, the following are typical users of our Regal engine lathe:

An aircraft-aerospace builder in New England—more than 60 lathes.

A jet engine subcontract shop in New England—more than 50 lathes.

A manufacturer of hydraulic components for aircraft builders on the west coast—more than 20 lathes.

An Atomic Energy Commission plant in the Western States—more than 70 lathes.

All machinery must have shafts and gears and, missiles, guns, and shells are round in shape—round shapes are made on lathes.

Early in the 1960's European, Japanese, Canadian, and South American lathes started to appear in the United States in significant numbers. From 1964 through 1967 the domestic machine tool industry operated at peak capacity to satisfy an expanding economy and the mobilization requirements of the conflict in Vietnam. During these same years, the free world market for machine tools was down and foreign competitors moved into the booming U.S. market. One effect, as chart I on my left entitled "U.S. Exports and Imports on Lathes" shows, was a sudden reversal in our balance of trade. In 1966 the United States for the first time became a net importer of lathes and by 1967 our negative trade balance had increased to \$29 million.

Originally foreign builders set their price about 20 percent below American prices. This pricing differential has increased.

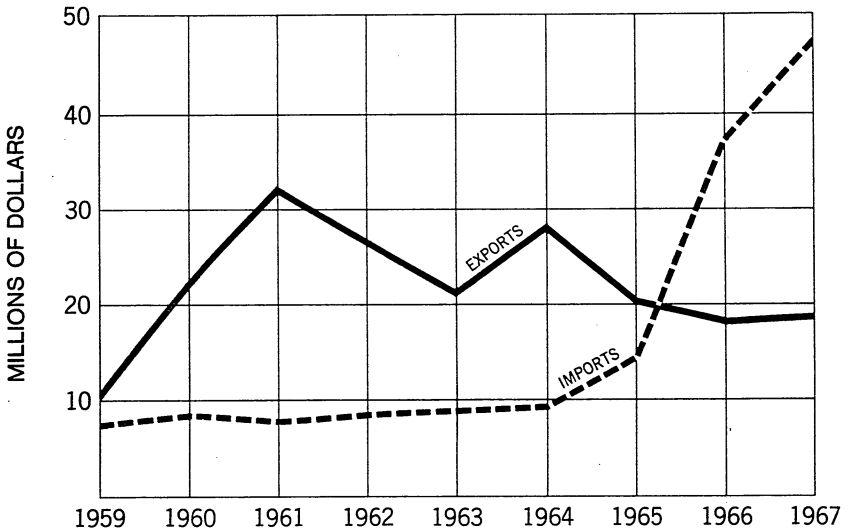
The Commonwealth of Kentucky recently bought their sixth "Colchester lathe" for vocational school use, despite the fact that a LeBlond Regal was specified. The English lathe was \$4,700—\$1,500 or 32 percent below our price of \$6,000.

I am certain that more engine lathes are imported than are produced domestically.

Let me state a few instances where classes of lathes, once produced domestically, have been discontinued by U.S. manufacturers leaving U.S. customers with only foreign sources of supply. In the past lathes of these types were supplied in large numbers to the U.S. Government

CHART I

U.S. EXPORTS AND IMPORTS OF LATHES



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

NMTBA JUNE 1968

for defense production. The country faces the possibility that, if needed again for defense purposes, such machine tools may not be available from U.S. companies.

The LeBlond Co. has discontinued its 16-inch heavy duty engine lathes and will shortly discontinue two more models.

The Sheldon Machine Co., Inc. of Chicago has discontinued its 10-inch model. Over the years Sheldon delivered thousands of these machines to the Government under MIL spec 00125. In recent years the Government has seen fit to buy from Canadian sources.

The South Bend Lathe Co. of Indiana has discontinued its 9-inch model and is considering ceasing manufacture of its 10-inch model.

In all cases, the discontinuance was dictated by the inability to compete with imports.

In March 1966 we furnished one Regal lathe for a prototype mobile machine shop mounted on a truck body for the U.S. Army to be used in the field. This prototype was evaluated and accepted. In December of 1967 a contract for 100 of these mobile shops was issued and 100 Canadian copies of our Regal lathe were ordered for these trucks. But LeBlond did not receive a single order out of this contract.

Over the past few years, the Regal product provided over 500 jobs in our company and I estimate that this class of lathe provided more than 1,500 additional jobs in other manufacturers' plants.

The cost of building this product line relates to the number of hours in its manufacture. Labor costs represent about 45 percent of the cost. Material, as a part of cost, is not as significant as labor. The average base labor rate in our plant, excluding fringes and incentive pay, has moved from \$2.45 hour to \$2.97 hour in the past 5 years and remains from two to three times the foreign rates. Continuing inflationary pressures will not improve our competitive situation.

Historically, when we have a national emergency or a high priority industrial requirement, our industrial might is mobilized by using standard machine tools until more sophisticated machinery can be engineered and installed. Unfortunately, we are in danger of losing to foreign machine tool builders this basic capability.

Foreign competitors are good engineers and are aggressively pursuing the development of more sophisticated numerically controlled lathes. There is no doubt in my mind that these machines will also flood the domestic market in the next few years, unless prompt steps are taken by the U.S. Government.

This country must remain industrially powerful, with the ability to mobilize quickly. The machine tool industry must not be permitted to lose segments of its basic capability to foreign builders by failure of the Government to act in a time of need.

Thank you for the opportunity to be heard.

Mr. BURKE. Mr. Herkner.

STATEMENT OF GEORGE W. HERKNER

Mr. HERKNER. Mr. Chairman and members of the committee, my name is George W. Herkner. I am executive vice president of the Warner & Swasey Co. of Cleveland, Ohio. I am testifying on behalf of my company and in general support of the statement of the National Machine Tool Builders' Association, of which Warner & Swasey is a member.

Overall, I believe the most serious threat to the U.S. machine tool industry is the inflationary forces that have existed during the last 5 years and are continuing to widen the cost gaps that exist between the United States and other machine tool producing countries. Wage increases have outpaced productivity. As a result, foreign machine tool builders are able to sell in this country at prices from 30 to 50 percent below those of U.S. builders. In some cases the price advantage offered by foreigners is even greater.

Machine tools tend to be highly engineered, and their labor content is correspondingly high. This fact, of course, makes machine tool builders particularly vulnerable to competition from abroad where substantially lower wage rates prevail.

Standard machine tools such as engine lathes, turret lathes, and milling machines have been the first to lose significant ground to foreign competition. But let us not hide under a cloud and delude ourselves into thinking that our more sophisticated, numerically controlled machine tools have a built-in protection against competition. Foreign builders are gaining fast in this market as well.

Until 5 years ago, in Warner & Swasey's field of turret lathes, our competition was fundamentally from 10 U.S. manufacturers. Today, in addition to these 10 competitors, 27 foreign builders are selling in this country. Until 5 years ago, in our field of single spindle automatics, our competition was also essentially limited to approximately 10 U.S. builders. Today there are 33 builders of single spindle bar and chucking automatics selling in the U.S. market.

The Warner & Swasey Co. has an English subsidiary which builds machine tools identical to those produced by it in this country. A comparison of the relative costs of producing identical machines in England and the United States, and of the resulting selling prices, afford a graphic example which is on the stand, of the basic problem of the U.S. industry is up against. (See chart A.) For example, the labor content of our U.S.-built automatic chucking machine exceeds \$15,000 or one-third of the \$46,000 selling price. The labor content of our identical English-built machine is approximately \$5,000 or one-sixth of the \$30,500 selling price.

Is it any wonder that we are losing our markets, both at home and abroad, to foreign competition?

I do not feel that tariff reforms necessarily provide a permanent or long-run solution to our problems. But as a means of dealing with the immediate critical threat to our industry and national machine tool capability, I strongly support the NMTBA's proposal for flexible and progressive import surcharges, as well as the association's other recommendations. Machine tools are vital to the defense of this country, as well as to a flourishing peacetime economy. I believe the NMTBA's proposals would provide important support for this aspect of our national security in the years immediately ahead.

Looking further into the future, however, it seems to me that the basic problem is again inflation—particularly the inflationary pressures on wages. Unless these forces are brought under control, the world machine tool market will go by default to our foreign competition.

Thank you very much.

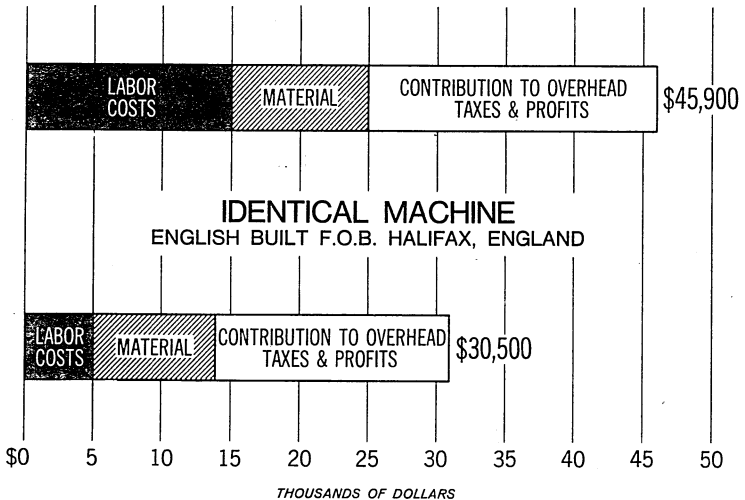
Mr. BURKE. Thank you very much. Are there any questions?

CHART A

PRICE OF SINGLE SPINDLE AUTOMATIC CHUCKING MACHINE

U.S. BUILT F.O.B. CLEVELAND, OHIO

Comparison of Cost and Prices of Identical U.S. - and
English-Built Single Spindle Automatic Chucking Machine



NMTR JUNE 1968

Mr. BUSH. Very briefly, Mr. Chairman. All the graphs start up in 1964 and is that because you all were operating at capacity and the market then opened up to foreign sources?

Mr. GEIER. I think that is a factor but I think the main reason was that the gap between the wage rates paid in Europe and in Japan in particular had increased, let's say, starting from 1960 to 1964 and has increased even more.

Mr. BUSH. The steepness of the curve starting in 1964 is not wholly attributable to the fact that you all were operating at 100 percent of capacity and thus the market opened up to foreign sources?

Mr. GEIER. No, I don't think so because in 1967 on the kinds of tools where the graph shows going up the most steeply American deliveries were fairly good. We were not operating at capacity in those particular tools.

Mr. BUSH. I have one other question, Mr. Chairman. We have heard a lot here in this committee so far about retaliation. You mentioned Canada, Japan, and Germany. Does your full statement have some detail on the retaliatory practices that some of us feel do exist in foreign markets?

Mr. GEIER. I believe it is quite documented in full detail.

Mr. BUSH. If it didn't I was going to ask that your organization detail it for the committee and submit it for the record, but if it is in there, that is fine.

Mr. GEIER. I believe it is in there.

Mr. BUSH. Thank you, Mr. Chairman.

Mr. BURKE. You mentioned, Mr. Herkner, that your firm had 10 other competitors in the United States. Do any of these 10 companies have plants located overseas?

Mr. HERKNER. Yes.

Mr. BURKE. How many?

Mr. HERKNER. I believe of that, including ourselves, three.

Mr. BURKE. Thank you very much. I wish to commend you three gentlemen for your excellent testimony and the very graphic charts that you brought before the committee today. Your entire statement, with all the exhibits, without objection will be included in the record.

Mr. GEIER. Thank you, Mr. Chairman.

Mr. HERKNER. Thank you.

Mr. BURKE. Our next witness is Mr. Bernard J. Shallow. We welcome you to the committee and will you identify yourself for the record.

STATEMENT OF BERNARD J. SHALLOW, CHAIRMAN, ANTI-FRICTION BEARING MANUFACTURERS ASSOCIATION

Mr. SHALLOW. I am Bernard J. Shallow, chairman of the Anti-Friction Bearing Manufacturers Association.

Mr. BURKE. Thank you.

Mr. SHALLOW. We have filed a brief with the committee and ask that it be made a part of the record.

Mr. BURKE. The entire brief will be made a part of the record.

Mr. SHALLOW. Mr. Chairman, my purpose here this morning is to read a condensed statement, on behalf of the Anti-Friction Bearing Manufacturers Association.

On behalf of the AFBMA may I commend you for conducting these hearings on the future of U.S. foreign trade. No subject could be more topical or urgent to our association.

The AFBMA is a national association comprised of companies who account for more than 80 percent of this nation's output of antifriction bearings. This industry currently produces approximately \$1.2 billion of antifriction bearings annually, with a work force of more than 60,000 in plants located in 20 States.

INDUSTRY ESSENTIALITY OF NATIONAL DEFENSE

While the products of the antifriction bearing industry, in a very real way, are one of the cornerstones of any industrialized society, their posture in our program of national defense is even more important. Without bearings the defense capability of this country would not only be crippled, it would be ruined. Indeed, the historical record of this industry in times of national crisis—World War II, Korea, and Vietnam—provides indisputable evidence of the interrelationship between national security and a healthy, viable antifriction bearing industry.

FOREIGN COMPETITION

Historically, imports of bearings have not been a matter of real significance.

In recent years, however, the productive capacity of foreign producers, especially that of Japan, has burgeoned far beyond domestic

needs. By 1960 Japan had more than 50 plants engaged in the production of antifriction bearings and parts whose collective production was far in excess of any home demand. Moreover, the Japanese Government, through subsidy and incentive programs, actively encourages production for export which compels manufacturers to purposely enlarge their plant capacity. Indeed, many of the Japanese bearing types and sizes, particularly in the miniature precision field, must be exported because of the small home demand for these products. The United States is the primary target area.

Available data shows that imports of bearings are increasing year by year. The volume doubles every 2 or 3 years. Total figures, though important, do not reveal the impact of the concentration of imports in product lines. When we look at the few details on imports which are available we find that imports already exceed exports for important segments of the industry. For instance:

Ball bearings represents about half of the U.S. antifriction bearing industry; 1967 imports of ball bearings exceeded exports by \$9.6 million. The same year U.S. production dropped 6 percent.

In 1967 ball bearing imports captured over 13 percent of the American market. In some important product lines imports have taken 30 to 50 percent.

Roller bearings have an overall export surplus. However, spherical roller bearing imports exceed exports. Imports of all roller increase each year.

POSITION OF THE ASSOCIATION

The AFBMA is acutely concerned not only with the adverse impact of the past operation of the trade program but with the future of the U.S. foreign trade policy. This industry has repeatedly stressed in every governmental forum that ever-increasing imports were damaging this critical industry which is so essential to our national security. In the face of the industry's strong recommendations against further tariff concessions, duties on bearings were cut 50 percent in the Kennedy round negotiations. The cumulative effect of this free-trade policy is intensifying the transfer of essential production from domestic to foreign sources—a transfer which had already begun before the Kennedy round. In 1967, imports of antifriction bearings were more than double those of 1964, which were more than double those of 1961—1961, \$10.1 million; 1964, \$24.3 million; and 1967, \$57.8 million.

THE STATISTICAL GAP

In 1964 the association urged the OEP to agree that increased imports of antifriction bearings were threatening the national security.

Neither the OEP, any other Government agency, nor the domestic industry had or could obtain the necessary data to evaluate the impact of the imports. U.S. import statistics on antifriction bearings are so rudimentary as to be valueless. Secretary of Commerce Connor, in a letter to the Director of the Office of Emergency Planning, stated:

In our attempt to make a determination of the validity of the industry's claims, we were hampered by the lack of detailed import figures.

The affected Government agencies must be given the statistical data that will enable them to evaluate safeguard legislation, particularly

in matters concerning a threat to the national security. The Department of Commerce deems antifriction bearings to be of such great defense significance that the Business Defense Services Administration requires domestic producers to report in detail on their output. We submit that if foreign suppliers wish to sell in our market, they too, at a minimum, should furnish the same information.

FUTURE OF EXPORT MARKETS

Notwithstanding tariff concessions by foreign countries which have been customers for U.S.-produced bearings, the unmistakable trend is a decline in exports and an increase in imports. It is true that total exports exceed total imports; however, imports are growing much more rapidly than exports and the domestic industry predicts that by 1970 imports will exceed exports.

SUMMARY

1. AFBMA appeared before the Tariff Commission and the Trade Information Committee in 1964 and at that time pointed out that the antifriction bearing industry was vital to the United States, that imports of ball and roller bearings were rapidly increasing in volume and could be expected to increase even at the existing duty rates, that any cut in duty rates would have a serious impact on the industry and, therefore, on the national security of the United States.

Apparently, our negotiators chose to disregard the then identifiable serious invasion of the domestic market by imports and agreed to duty concessions of 50 percent, the maximum allowed under the delegated authority of the Trade Expansion Act.

The further increase in imports predicted in 1964 has occurred, a 138 percent jump in the next 3 years. Lower duty rates effective January 1, 1968, will no doubt attract even larger increases.

2. Exports of antifriction bearings will shrink in future years. Factors causing shrinkage are beyond control of the industry and are not likely to be affected by any tariff concessions of any foreign country. The trade deficit now existent as to ball bearings will spread to the whole industry, further compounding our balance-of-payments deficit.

3. The U.S. Government should immediately expend every effort to measure the import impact on the various segments of the domestic industry. At least imports should be reported in the same detail as the Government requires of American manufacturers.

4. We hope that Congress, as a result of these hearings, will assume its responsibility to establish a foreign trade policy able to cope with the modern developments of trading blocs, sophisticated nontariff barriers and international exchange, and balance-of-payments problems. A fundamental change in basic U.S. law pertaining to tariff negotiations and tariff adjustment is imperative.

We believe the domestic bearing industry is as entitled to a place in the U.S. market as are imports. Some mechanism must be devised to permit a fair and orderly division.

(Mr. Shallow's prepared statement and appendixes follow:)

STATEMENT OF BERNARD J. SHALLOW, CHAIRMAN, ANTI-FRICTION BEARING
MANUFACTURERS ASSOCIATION

The Anti-Friction Bearing Manufacturers Association (AFBMA)

The Anti-Friction Bearing Manufacturers Association (AFBMA) is a national association comprised of companies who account for more than 80% of the nation's output of anti-friction bearings and parts. A list of the Association's membership is attached as Appendix A. This industry currently produces approximately 1.2 billion dollars worth of bearings with a work force of more than 60,000 in some 20 states.

Position of the Association

The AFBMA is genuinely concerned not only with the impact of the past operation of the trade program but with the future of the U. S. foreign trade policy. This industry has repeatedly warned the U. S. Government through the Tariff Commission, the Trade Information Committee, Congressional Committees, administrative contacts with the Departments of Defense, Commerce and Labor and the Office of Emergency Planning that increasing imports are causing an impact on this essential industry which is inevitably an injury to the United States and an impairment of the national security. In the face of the industry's strong recommendations against further tariff concessions, duties on bearings were cut 50% in the Kennedy Round negotiations. The cumulative effect of this free trade policy

is intensifying the transfer of essential production from domestic to foreign sources -- a transfer which had already begun before the Kennedy Round. 1967 imports of anti-friction bearings were more than double those of 1964, which were more than double those of 1961. (1961 - \$10.1 million, 1964 - \$24.3 million, and 1967 - \$57.8 million.)

The national peril inherent in relying upon foreign sources for future requirements of these component products so essential to the national defense as well as the fulfillment of many important civilian needs compels this industry once again to focus the attention of the U. S. Government on this problem.

Industry Essentiality of National Defense

While the products of the anti-friction bearing industry, in a very real way, are one of the cornerstones of any industrialized society, their posture in our program of national defense is even more important. Without bearings airplanes would not be able to fly to their targets, missiles could not be guided, communications would flounder. It would be safe to say that the defense capability of this country would not only be crippled, it would be ruined. Typical items in our defense arsenal whose operation is dependent upon high quality bearings are:

Aircraft
Armored vehicles
Submarines
Bombsights
Missiles
Torpedos
Electronics and Communication Equipment
Tracking Devices
Supply vehicles

History has convincingly demonstrated that during periods of national emergency, the nation's demand upon this industry greatly accelerates. Thus, during World War II, production rose from \$104 million in 1939 to \$422 million in 1944. In 1944, 88% of total production was devoted to military and supporting projects. With the cessation of hostilities in 1945, the demand receded. Production in 1946 amounted to only \$236 million, while for the years 1947-1949 production averaged only \$360 million. Pressures on the industry similar to those of World War II were created by the Korean War and for the period 1951-1954 production averaged \$625 million -- an increase of \$265 million annually over the immediately preceding non-war years. The productive increase for the 1951-54 period was a direct reflection of our expanded military activities. There is no one who seriously questions the paramount role of this industry to national defense and security. Indeed, the historical record of this industry in times of national crisis provides indisputable evidence of the interrelationship between national security and a healthy, viable

anti-friction bearings industry. This interrelation again received reaffirmation with the military buildup in Viet Nam. Increased requirements precipitated by our Viet Nam commitment that considerably exceeded original expectation pushed industry production to new, all-time highs.

An important consideration and serious problem was the demand for spare parts including bearings necessary to support military equipment, particularly aircraft and helicopters in service. These requirements increased with the number of hours flown; hence, the need for spare bearings increased to many times the number required for new production. This is typical, and to be expected, during a period of actual military combat.

Foreign Competition

Historically, imports of bearings was not a matter of any real significance to the industry prior to World War II. Home demand in the various producing nations was so high that only a negligible quantity of output was available for export. The total decimation of the Axis capacity during World War II foreclosed any export potential by Germany or Japan, and during the post-war years, foreign production was entirely consumed by the re-building process taking place in Europe and Asia.

In recent years, however, the productive capacity of foreign producers, especially that of Japan, has burgeoned far beyond domestic

needs. By 1960 Japan alone had more than fifty (50) plants engaged in the production of anti-friction bearings and parts. Their collective production was soon far in excess of any home demand. Moreover, the Japanese Government through subsidy and incentive programs actively encourages the production for export program which encourages manufacturers to purposely enlarge their plant capacity. Indeed, many of the Japanese bearing types and sizes, particularly in the miniature precision field, must be exported to the United States because of the small home demand for these products. The pressure which imports have exerted on domestic producers in recent years has been both vigorous and constantly increasing.

Dimensions of Foreign Competition

While the total volume of imports, standing alone, is a matter of very real concern to the domestic industry, their pattern is far more distressing. Industry experience demonstrates that imports are concentrated in relatively few of the 20 basic lines of domestic production. This situation is typified by recent difficulties which the domestic industry has encountered in its efforts to produce and market ball bearings whose outside dimensions fall between 30 to 52 millimeters. Ball bearings of this type are the domestic industry's largest item of production. In a very real sense, they are the bread and butter of the industry and provide the volume and

profit which enables the producers to manufacture the more specialized but often unprofitable lines upon which our defense effort is so reliant. It is estimated by industry sources that imports in this category now account for approximately 30% of U. S. usage.

The domestic industry submits that the nation's dependence on foreign capacity for more than 30% of its requirements of these important bearings presents a very serious national security dilemma. Had a similar dependence existed in 1940, it is doubtful whether the domestic industry would have had the requisite capacity to respond to the requirements of the war effort.

This situation is more forcefully apparent in the domestic industry's recent experience in the production of miniature precision bearings. While miniature and instrument bearings have a wide range of application, the major portion of domestic production is consumed by defense contractors engaged in the manufacture of missiles, guidance systems, space craft, and related auxiliary equipment. Some specific current items of our defense arsenal using miniature bearings are:

ASROC torpedos
Shillelagh missiles
Wallege missiles
Aircraft -- F-111 (TFX); F-104; F-4; B-52
and A-7-A

Prior to the heightened demand created by Viet Nam, the producers of miniature and instrument bearings were being seriously imperiled by low cost imports. In fact, in the years 1963-64 domestic producers were actually retiring and disposing of much of their specialized machinery. Fortunately the domestic industry had the remaining capacity to supply the needed bearings but this continued ability is questionable if imports are allowed unrestrained future entry into the United States.

Imports now come from Japan, Switzerland, West Germany and Canada. Competition from overseas sources is concentrated in the completely developed, high volume products. From a competitive standpoint, this is a logical market for an overseas producer to initially penetrate. The technical content that he must provide with his product, and the direct contact that he must have with his U. S. customers is reduced to an absolute minimum. Additionally, the overseas producer, with his lower costs, can offer a product in this country at a price that a U. S. producer cannot afford to meet.

Government procurement practices -- in which awards are generally made to the low bidder -- encourage and in some cases almost demand the use of imported miniature bearings. In a competitive situation, one contractor choosing to use miniature imports will force all of his competition to do likewise. The miniature precision bearing industry in this country is accordingly faced with a declining share of its "bread and butter" markets.

Attached to this statement is a pamphlet prepared by the MPB Corporation, a domestic producer of miniature bearings, consisting of statements submitted to the Procurement Sub-Committee on Small Business Committee of the House of Representatives and the Trade Information Committee. (Appendix B). These statements undertake to define this segment of the anti-friction bearing industry and to examine the impact of imports thereon.

Table 1, as revised, on page 12 and Exhibits 2 and 3 on pages 13 and 14 of Exhibit B show in graphic and tabular form the U. S. production of miniature ball bearings (0-9 mm. O.D.) over the last four years and the estimated imports of these bearings. The startling fact is that imports now account for over 50% of domestic consumption.

Industry Concern Over Imports

Beginning in the late fifties, the domestic industry has been deeply concerned with the rapid rise in the level of imports and especially the fact that imports have been selectively concentrated in a few sizes and types of bearings. It was in this period that the conscious efforts of foreign powers to stimulate exports to the U. S. achieved fruition. In late 1964 after imports had begun to reach alarming proportions, the Association pursuant to Section 232 of the Trade Expansion

Act of 1962, requested the Office of Emergency Planning to determine whether anti-friction bearings and parts were being imported into the United States under circumstances as to threaten to impair the national security.

While this application was subsequently withdrawn at the request of the Association, the domestic industry, nevertheless, remains firmly convinced that bearings are being imported under such circumstances as to threaten to impair the national security. Two factors prompted the domestic industry to withdraw its application. Firstly, the military buildup in Viet Nam had exerted tremendous pressure on the industry and had created abnormally high levels of demand. This artificial circumstance created an unsuitable atmosphere for investigation. Secondly, neither the domestic industry nor the Office of Emergency Planning could obtain accurate and reliable import data. The present system of collecting data on imports makes no attempt, as does U. S. Government collected domestic production data, to segregate imports as to size, precision and number of units.

The domestic producers contended that the present threat to national security lay not in the volume, but in the pattern of imports.

Unfortunately, neither the domestic industry, the Office of Emergency Planning, or any other government agency had or could obtain the necessary data to evaluate the contentions of the domestic industry. U. S.

import statistics on anti-friction bearings are so rudimentary as to be valueless. Imports of bearings are categorized between balls, rollers, ball bearings and roller bearings. Appendix C contains correspondence by the Secretary of Commerce and the Director of the Office of Emergency Planning on the problems and deficiencies in U. S. import data on bearings. Secretary of Commerce Conner, in a letter to the Director of the Office of Emergency Planning concerning the Section 232 Investigation, stated:

"In our attempt to make a determination of the validity of the industry's claims, we were hampered by the lack of detailed import figures."

The Association submits that data on imports must approximate data on domestic production if responsible government agencies are to properly implement the trade legislation enacted by the Congress. The AFBMA has petitioned the Committee for Statistical Annotation of Tariff Schedules for statistical breakouts by size, precision and number of units. Some improvement has been made in roller bearing statistics but much remains to be done in regards to ball bearings.

The bearing industry has been consistently handicapped by insufficient records and data on imports. This dilemma is well illustrated by the industry's recent experiences with integral shaft bearings. These bearings were an innovation of the industry designed to conserve space

whereby the shaft serves as the inner race. Such bearings are widely used in automobiles, home appliances, and pumps. They are an important product of this industry and are made and sold in volume. Recently, domestic sales of these bearings declined precipitously because consumers were buying low price imported integral shaft bearings. Since it was apparent to the industry that foreign suppliers were quoting prices, which were below costs, when the applicable duty was considered, a study was made. The study revealed that Customs Officials were classifying these bearings as parts of automobiles at a duty far less than that applicable to bearings. More importantly, by not entering as bearings, the U. S. import statistics on bearings materially understated the true volume of bearing imports. While the industry, with Congressional assistance, succeeded in obtaining a proper classification of these items, similar problems still exist. The domestic producers are now attempting in H.R. 12264 to insure correct classification of another group of bearings (mounted bearings) which are otherwise classified in the Tariff Schedules or not specifically provided for therein.

In regard to H.R. 12264, the domestic industry has again been handicapped by the absence of reliable data. In fact, to gain a true insight into the volume of imports of mounted bearings, the industry has been compelled to buy data by financing special studies by the Department of Commerce.

Pillow blocks, a type of mounted bearing, was the subject of the special study, primarily because the basket classification in which they are entered was known but also because this basket class (680.50 also includes pulleys and shaft coupling) was the subject of a 50% duty cut pursuant to compensatory negotiations with Canada, the United Kingdom and Japan, effective January 1, 1966. This two-year study showed a dramatic 60% increase of 1966 over 1965 (\$510,560 vs. \$319,203). Other mounted bearings, such as flange, cartridge, take-up and hanger units, are contained in one of several "basket" categories or scattered under "parts of" categories.

The affected Government Agencies must be given the statistical data that will enable them to evaluate safeguard legislation, particularly in matters concerning a threat to the national security. The Department of Commerce deems anti-friction bearings to be of such great defense significance that the Business Defense Services Administration requires domestic producers to report in detail on their output. We submit that if foreign suppliers wish to sell in our market, they too at a minimum, should furnish the same information.

Future of Foreign Trade in Anti-Friction Bearings

Notwithstanding tariff concessions by foreign countries which have been customers for U. S. produced bearings, the unmistakable trend is

a decline in exports and an increase in imports. It is true that total exports exceed total imports, however, imports are growing much more rapidly than exports and the domestic industry predicts that by 1970 imports will exceed exports.

Total figures, though important, do not reveal the impact of the concentration of imports in product lines. When we look at a few details on imports which are available we find that imports already exceed exports for important subdivisions of the industry. For instance:

Ball bearings represent about half of the U. S. industry. 1967 imports of ball bearings, \$38.8 million, exceeded exports by \$9.6 million. In 1967 the imports increased 11% over 1966, while U. S. production dropped 6%.

Total ball bearing imports in 1967 represented over 13% of domestic usage and we believe that in important industry subdivisions they attain 30% to 50%.

Roller bearings have an overall export surplus of substantial size; but even here, we find by a breakout of import statistics made available only this year that spherical roller bearing imports exceed exports.

Balls for bearings have been imported in rapidly increasing quantities. The value of such imports was \$4.2 million which was double that for 1965 which in turn was double the value of 1963 imports. The imports are believed to be predominately alloy steel balls and if true would amount to 40% of domestic trade in this article.

Lower prices abroad is the major factor but other significant recent developments compound the problem. Historically, exports of U. S. produced bearings have been basically limited to inch size bearings produced only in this country, replacements for U. S. machinery and equipment used abroad, for AID and similar tied-fund sales and for U. S. military equipment stationed abroad. Even this demand is being displaced as more and more U. S. machinery and equipment manufacturers establish plants abroad and engineer their products to use foreign produced bearings. Farm equipment, for instance, which once used U. S. designed inch size tapered roller bearings now is designed for metric size foreign bearings. In fact, many producers of equipment are seeking a commonality of components so that it makes little difference in which country they are produced. More insidious are other products such as machine tools where the U. S. bearing industry is not only losing a market abroad but imports of complete machine tools are displacing production of U. S. machine tools which would have used domestic anti-friction bearings. Tariff concessions by foreign countries have very little significance when related to this declining demand abroad.

Summary

1. AFBMA appeared before the Tariff Commission and the Trade Information Committee in 1964 and at that time pointed out that the anti-friction bearing industry was vital to the United States, that imports of ball and roller bearings were rapidly increasing in volume and could be expected to increase even at the existing duty rates, that any cut in duty rates would have a serious impact on the industry and, therefore, on the national security of the United States.

Apparently, our negotiators chose to disregard the then identifiable serious invasion of the domestic market by imports and agreed to duty concessions of 50%, the maximum allowed under the delegated authority of the Trade Expansion Act.

The further increase in imports predicted in 1964 has occurred, a 138% jump in the next three years. Lower duty rates effective January 1, 1968, will no doubt attract even larger increases.

2. Exports of anti-friction bearings will shrink in future years. Factors causing their shrinkage are beyond control of the industry and are not likely to be affected by any tariff concessions of any foreign country. The trade deficit now existant as to ball bearings will spread to the whole industry, further compounding our balance of payments deficit.

3. The collection of import data by the Bureau of Customs based solely on the legal requirements for collecting duties effectively obscures the concentration of imports of anti-friction bearings. If the contention of the domestic industry is the case, i.e., that the present impairment to the national security exists not in the overall ratio of imports to domestic consumption but in the selective pattern of imports, the U. S. Government should immediately expend every effort to measure the import impact on the various segments of the domestic industry.

4. AFBMA believes that a solid United States defense structure, founded upon a strong industrial base, is a prime requisite for peace and security. Certainly, the impact of tariff and trade policy upon the Nation's security must be scrutinized with the greatest care.

Essential industries, essential plant capacities and essential skills, must be preserved so that the Nation can quickly call upon them in time of emergency.

APPENDIX A

MEMBERS OF THE ASSOCIATION

The Abbott Ball Company
Hartford, Connecticut

Aetna Bearing Company
A Textron Division
Chicago, Illinois

American Roller Bearing Company
Pittsburgh, Pennsylvania

The Barden Corporation
Danbury, Connecticut

Brenco, Incorporated
Petersburg, Virginia

The Fafnir Bearing Company
Division of Textron
New Britain, Connecticut

The Federal Bearings Company, Inc.
Poughkeepsie, New York

Federal-Mogul Corporation
Detroit, Michigan

Freeway Washer & Stamping Company
Cleveland, Ohio

General Bearing Company
West Nyack, New York

Hartford-Universal Company
Division of Virginia Industries
Rocky Hill, Connecticut

Hoover Ball & Bearing Company
Ann Arbor, Michigan

Industrial Tectonics, Inc.
Ann Arbor, Michigan

Keystone Engineering Company
Los Angeles, California

L & S Bearing Company
Oklahoma City, Oklahoma

Link-Belt
Division of FMC Corporation
Indianapolis, Indiana

Marlin-Rockwell
Division of TRW, Inc.
Jamestown, New York

McGill Manufacturing Co., Inc.
Valparaiso, Indiana

Messinger Bearings, Inc.
Philadelphia, Pennsylvania

MPB Corporation
Keene, New Hampshire

National Bearings Company
Lancaster, Pennsylvania

New Departure - Hyatt Bearings Division
General Motors Corporation
Sandusky, Ohio

New Hampshire Ball Bearings, Inc.
Peterborough, New Hampshire

Norma-Hoffmann Bearings Co.
Division of Universal American Corp.
Stamford, Connecticut

Orange Roller Bearing Company, Inc.
Subsidiary of Handy & Harman
Orange, New Jersey

Pioneer Steel Ball Company, Inc.
Unionville, Connecticut

Rex Chainbelt Inc.
Downers Grove, Illinois

Rollway Bearing Company, Inc.
Syracuse, New York

SKF Industries, Inc.
Philadelphia, Pennsylvania

Smith Bearing Division
Accurate Bushing Company
Garwood, New Jersey

Sterling Commercial Steel Ball Corp.
Sterling, Illinois

The Superior Steel Ball Company
New Britain, Connecticut

The Timken Roller Bearing Co.
Canton, Ohio

The Torrington Company
Torrington, Connecticut

Winsted Precision Ball Corp.
Winsted, Connecticut

APPENDIX B

A STATEMENT BEFORE THE PROCUREMENT SUBCOMMITTEE OF THE HOUSE SMALL BUSINESS COMMITTEE, MARCH 13, APRIL 24, 1968, AND THE TRADE INFORMATION COMMITTEE, MAY 7, 1968

(By William M. Scranton, President, MPB Corporation, Keene, N.H.)

INTRODUCTION

Current government policies permit and encourage the use of foreign produced precision miniature and instrument ball bearings essential to this country's defense effort. The use of foreign components is having the effect of destroying the production capability of domestic producers.

Within a very few years the aircraft and missiles of the United States will be dependent on the output and supply of two or three plants located in Japan and Switzerland—unless these policies are changed.

The Statements to follow explain this threat to our security and detail policy changes that could alleviate it. I am sure you will find them thought provoking and of great concern.

KEENE, N.H.

WILLIAM M. SCRANTON.

THE DEPLETION OF OUR DEFENSE RESOURCES

It is my understanding that the purpose of this meeting today is to discuss procurement practices as they will affect our company and as they will affect the national defense posture of the country.

My remarks will be divided into four categories:

A. A brief background on our company and our industry.

B. An examination of the economic structure of the miniature precision bearing business.

C. The growth of foreign competition and the use of foreign miniature bearings in military products.

D. A forecast of the situation some years out if the present level of foreign activity continues unrestricted.

A. BACKGROUND

MPB Corporation was founded in 1940. Until last June we were known as Miniature Precision Bearings, Inc. We changed our name because "miniature bearings" no longer described our corporate product line due to a number of acquisitions and product diversifications. Our two principal competitors are also located in New England, and among the three of us we produce about 85% of the U.S. production of miniature precision bearings.

Miniature precision bearings are a vital defense commodity. One of our competitors, the Barden Corporation, at the urging of the U.S. Navy, was formed by Carl Norden, inventor of the bombsight used in World War II, to produce high precision bearings for that vital project. Today miniature bearings are a vital component of gyros, bombsights, flow metering equipment, torpedos, communications equipment, tracking devices, all sorts of servomechanisms, etc. Without miniature bearings airplanes would not be able to fly to their targets, missiles could not be guided, communications would flounder. It would be safe to say that the defense posture of this country would not only be crippled, but ruined.

Miniature precision bearings have achieved government recognition as a defense commodity in that they are on the "positive" list and not eligible for export to Iron Curtain countries. In 1961, the Department of Commerce refused to allow the export of miniature bearing production equipment to Iron Curtain countries. Production of miniature precision bearings is a highly skilled one requiring a major investment in specialized equipment—approaching \$1 of original purchase price of equipment for every \$1 of sales. Manufacturing personnel are highly skilled and supporting engineering talent highly specialized. The volume production of miniature precision bearings is not a business that one can get into overnight or one that can be substantially expanded at a moment's notice in the event of a national emergency.

B. INDUSTRY STRUCTURE

At this point I would like to focus your attention on the economic structure of the miniature precision bearing business. It is not really one homogenous business but rather three businesses with each of the three returning a very different profit performance. Unfortunately each business is interrelated so that a manufacturer must be in all three to be in the miniature precision bearing business. I can best describe this situation by dividing the business into its three major categories.

Category I includes the high volume standard products that have completed the engineering and development cycle and which are at the lower end of the precision scale. We estimate that this product group accounts for about 60% of the total bearings produced by the miniature bearing industry. Many of these products were developed and engineered years ago. They are produced with little or no engineering support and little or no engineering service is required in selling them to our customers. This product category returns a good profit as it is produced in large volume.

Category II is made up of a combination of established standard bearings and special products. The production volume is smaller than in the *Category I* group, and we estimate this product category accounts for approximately 35% of the total bearings produced by the miniature bearing industry. These products are at the top end of the precision scale for standard products. They require engineering support in manufacture, and a significant amount of engineering support in selling the product to our customers. This product category also returns a good profit.

Category III is what we at MPB call "special precision products." The bearing products in this category are specials that are manufactured to tolerances as low as 20 millionths of an inch. It is here, in *Category III*, where we are pushing the state of the art. Machining of the parts is accomplished under conditions approaching those of a white room. The whole operation is attended with a concentration of technical support, special white room facilities, instrumentation, quality control and exacting requirements which combine to make it very difficult to accurately estimate the cost of this type of work. Profits are hard to come by in this category of our business. In some years the losses have been substantial. Production volume is small. A good many of the bearings produced in this category are prototypes for test and evaluation in future defense programs. When a "miniature precision bearing" is in this category it is going through the creation and design stage which may lead to future volume production under *Category II* or *Category I*. It has been a practice of the miniature precision bearing industry to take on *Category III* business in anticipation of future volume production in *Category I* or *II*.

C. FOREIGN COMPETITION

Now, let's take a look at the foreign competition. The preceding discussion of the composition of the miniature precision bearing business was necessary in order to detail the inroads that have been made by foreign competition. Imports now come from Germany, Canada, Switzerland and Japan. Competition from overseas sources is concentrated in the *Category I* classification—the completely developed, high volume product—which I have just discussed. From a competitive standpoint, this is the logical market for an overseas producer to initially penetrate. The technical content that he must provide with his product, and the direct contact that he must have with his U.S. customers is reduced to an absolute minimum. Additionally, the overseas producer, with his lower costs, can offer a product in this country at a price that a U.S. producer cannot afford to meet.

Government procurement practices—in which awards are generally made to the low bidder—encourage and in some cases almost demand the use of imported miniature bearings. In a competitive situation, one contractor choosing to use miniature imports will force all of his competition to do likewise. The miniature precision bearing industry in this country is accordingly faced with a declining share of its "bread and butter" *Category I* and *II* markets.

Exhibit I of this statement shows in graphic and tabular form the U.S. production of *Category I* product over the last four years. Also shown is the output of one Japanese factory, Nippon Miniature Bearings, which has been exported to the U.S. It will be noted that these imports from a single producer, have increased to the point where they now represent 95% of the total U.S. production of *Category I* product.

Exhibit II graphically illustrates the decline in U.S. production of both Category I and II product. It will be noted that when the output from this one Japanese factory is added, the total U.S. consumption is shown to be increasing.

D. FUTURE TRENDS

Our exhibits demonstrate that foreign competitors are obtaining the production business represented by Category I and II. As a diversified corporation we must continually make decisions between product lines. These decisions are made on the basis of current profitability and future prospects. A continuation of the present trend will call for certain steps.

- 1) We will not choose to continue investment in this area.
- 2) Our skilled work force will be diverted to other products.
- 3) Our engineering specialists will be given assignments in more rewarding areas.

Additionally, our desire to continue in the skilled Category III business will be inhibited—there is little point in remaining in a speculative business when the reward of production follow-on has vanished.

The results of these decisions would be:

- 1) Our facility for the high production manufacture of miniature bearings would continually be reduced in size and would be very difficult to expand to meet a national emergency.
- 2) Our production facility would gradually become technically obsolete.
- 3) We would have a complete change in approach and interest in the developmental business described under Category III.

While MPB Corporation has a diverse enough product base to face the future confidently, the future of the miniature precision bearing segment of our business appears rather bleak and the results inevitable. The industry will no longer be production-oriented but will decline to the level of low volume specialty manufacturers and may eventually disappear.

Our guided missiles and military aircraft will become dependent on off-shore producers of miniature bearings for their performance. We estimate that this will happen in the next 3-4 years.

E. CONCLUSION

In view of this, we feel it would be to our country's best interest to *limit* the usage of imported miniature precision bearings in items produced for end usage by the Department of Defense. It is interesting to note that some years ago the Department of Defense found itself in a situation with regard to jewel bearings that is not unlike the situation which we predict DOD will soon face with regard to miniature precision bearings. During the last war, the only source of supply for jewel bearings, which are also critical defense items, was Switzerland. To provide a source for jewel bearings in the event of a national emergency, the government established a government-owned manufacturing facility, the William Langer plant in Rolla, North Dakota. To maintain this capability, the government also made it a provision of the Armed Services Procurement Regulations that jewel bearings used in defense products be procured from the William Langer facility. We suggest that a government-supported facility is not yet necessary as there are still privately owned, U.S. miniature precision bearing production facilities capable of meeting the requirements of DOD. Prompt action on the part of the government can avoid a situation similar to that of the jewel bearing emergency, if procurement regulations directing the use of U.S. manufactured miniature bearings in defense products are adopted.

We suggest that the following courses of action, some of which might fall within the scope of this Committee, be considered:

1. That the Department of Defense be authorized to limit the number of imported precision bearings utilized in the assembly of products intended for DOD end use. This could take the form of an ASPR clause much like the jewel bearing clause so that it would be effective at all levels of procurement.
2. That the independent producers of miniature precision bearings be reclassified as "small business."
3. That this Committee support the AFBMA's application to the Committee for Statistical Annotation of the Tariff Schedule—for improved reporting of bearing import data. (See Addendum I.)
4. That this Committee support passage of Senate Bill S2552, sponsored by Senators Ribicoff and Cotton.

5. That the Buy American Act be extended to specifically cover miniature precision ball bearings.

F. SUMMARY

Our statement has demonstrated that if the present conditions are allowed to continue, the defense posture of our country will become dependent on foreign sources for miniature bearings within the next three to four years. Suggestions have been made to effect preservation of a demonstrable national asset, without which our aircraft, missiles and communications equipment cannot function.

EXHIBIT I

A comparison of total U.S. production of Category I product versus U.S. imports from Nippon Miniature Bearings.

(1) Year	(2) Exports to United States from Nippon Miniature Bearings	(3) Total U.S. category I production	(4) Percent of col. (2) to col. (3)
1964.....	1,000,000	3,212,000	31
1965.....	1,400,000	6,120,000	23
1966.....	3,800,000	6,620,000	57
1967.....	6,075,000	6,420,000	95

Sources: (1) Oriental Economist, April 1957; (2) USDC reports; (3) AFBMA data (to arrive at 1957 U.S. estimates); (4) Metalworking News, Sept. 18, 1967.

ADDENDUM I—STATISTICAL DATA

At the present time import data on bearings are collected only in terms of dollars and pounds of product.

A typical miniature bearing weighs 0.5 grams and has a current list price of \$1.65. One pound of such a bearing would contain 907 bearings and would be worth \$1,500. Conversely, a one-pound bearing for commercial use would be worth \$1-\$5. Import data reported in terms of pounds and dollars does not permit identification of miniature bearings.

Not only does MPB Corporation face this statistical gap but in larger proportions so does the bearing industry overall.

In October of 1964 the industry, believing there was a present threat to impair the national security by the increase in imports, filed a petition with the OEP for an investigation under the National Security Amendment (Section 232 of the Trade Expansion Act of 1966).

Both the domestic industry and the U.S. Government were handicapped in their documentation for the OEP investigation by the insufficiency of import statistics. While overall imports are reported by the Bureau of Census the data is classed in such broad groups as to preclude any meaningful analysis.

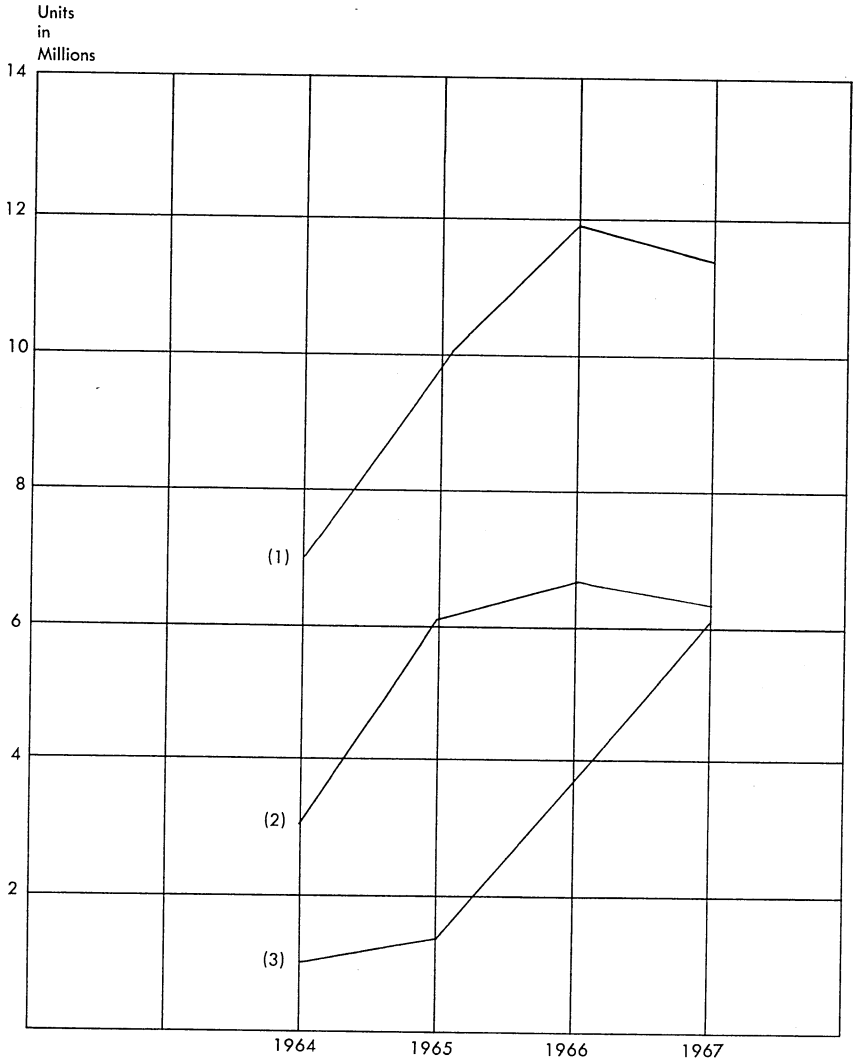
This lack of import information by size and precision so severely obscured the facts that no substantive consideration could be given to the threat of impairment to the national security.

Accordingly, in November, 1966, the Anti-Friction Bearing Manufacturers' Association applied to the Committee for Statistical Annotation of the Tariff Schedule for a reasonable breakout of bearing imports. In January, 1968, some changes were made for roller bearings; but ball bearings, including miniature bearings, still are reported in such broad groupings as to continue to obscure the impact of imports on the national security.

EXHIBIT #1

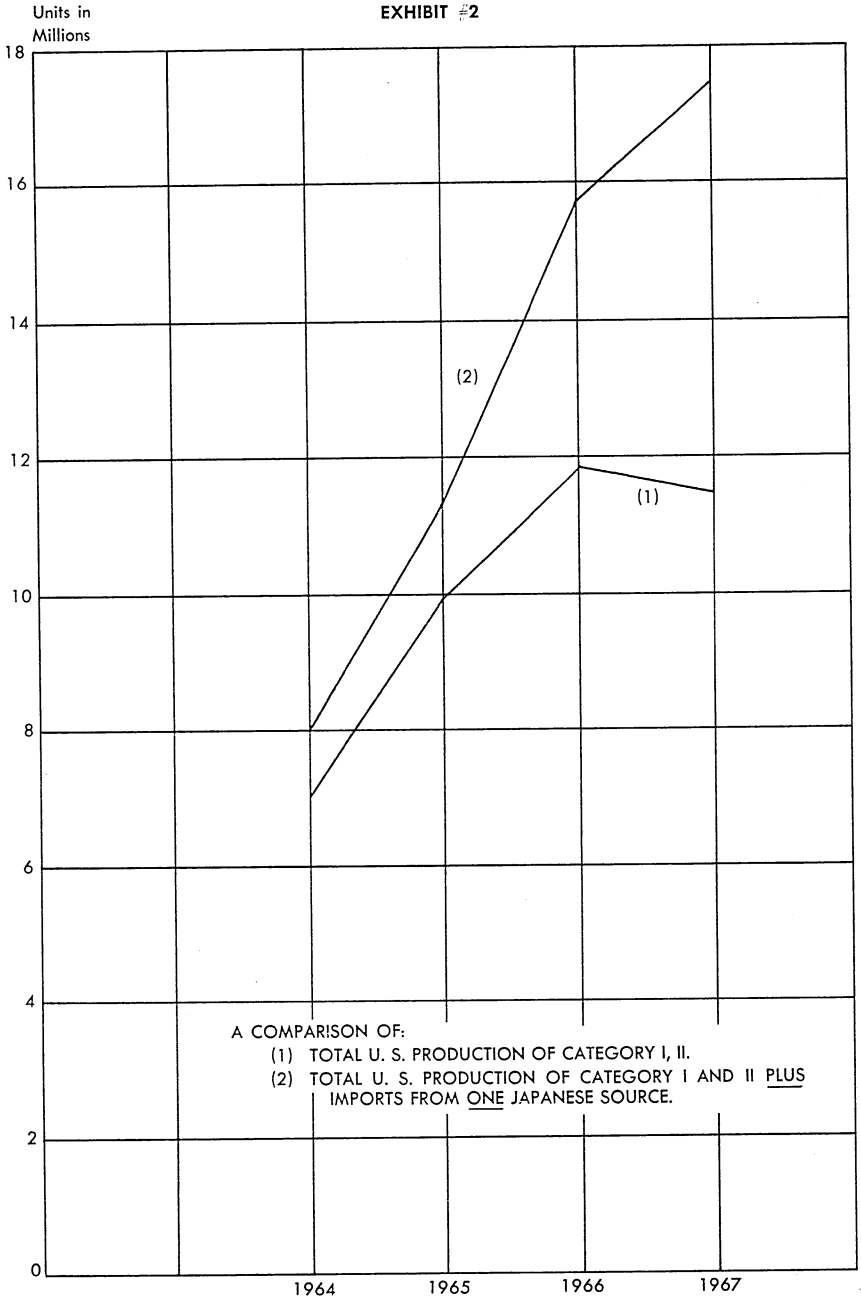
A COMPARISON OF:

- (1) U. S. PRODUCTION OF CATEGORY I AND II BEARINGS
- (2) U. S. PRODUCTION OF CATEGORY I BEARINGS
- (3) IMPORTS TO THE U. S. FROM ONE JAPANESE PRODUCER



MPB CORPORATION, KEENE, NEW HAMPSHIRE

EXHIBIT #2



MPB CORPORATION, KEENE, NEW HAMPSHIRE

SUPPLEMENTAL INFORMATION FOR THE PROCUREMENT SUBCOMMITTEE OF THE HOUSE
SMALL BUSINESS COMMITTEE TO FURTHER CLARIFY THE STATEMENT OF MPB
CORPORATION OF MARCH 13, 1968

(By William M. Scranton, President, MPB Corporation, Kenne, N.H.)

I INTRODUCTION

At the conclusion of the hearings before the Sub-Committee on March 13, 1968, MPB Corporation was requested to provide:

1. Further information relating to the sources of its data.
2. Its estimate of total imports to this country of miniature precision bearings.
3. Further documentation and supplemental information on the importation of miniature precision bearings.

It is the intent of this submittal to provide the Sub-Committee with this information.

II THE ROLE OF MINIATURE PRECISION BEARINGS IN THE DEFENSE EFFORT

To further support the contention of MPB Corporation that the miniature precision bearing industry and the Department of Defense are dependent *upon one another*, we are submitting, as Exhibit No. 1, a plot showing military aircraft procurement over recent years. On the same graph we are displaying the United States production figures for miniature precision bearings as reported by our trade association, The Anti-Friction Bearing Manufacturers Association (AFBMA).

Examination of this graph indicates that there is a marked dependence of bearing shipments upon military procurement. The uses to which miniature precision bearings are put (gyros, navigation equipment, airborne computers, bombsights, and the like) produce the corollary that the supply of military aircraft has been dependent upon the capacity and responsiveness to demand of U.S. miniature bearing producers. Indeed, the capacity of this industry has been determined by DOD's procurement of aircraft—as aircraft demand has “peaked,” so has the output of the miniature bearing producer. Reduction in peak demand has left the producer with excess capacity of no interim use until the next “peak.”

Further exhibits demonstrate that the relationship between U.S. bearing production and U.S. aircraft procurement is no longer marked. While aircraft procurement has remained essentially level, the domestic production of miniature bearings has declined. Further exhibits also demonstrate that the use of foreign miniature bearings has decreased the dependence of DOD on domestic industry, and placed the “burden of supply” on overseas producers, over whom little, if any, control can be exercised. Domestic miniature bearing manufacturers are accordingly forced to re-evaluate their maintenance of, and investment in, “peak capacity.” As previously stated by MPB Corporation, the decision to diversify and seek investment opportunities elsewhere has been the solution.

III U.S. CONSUMPTION—DOMESTIC VERSUS IMPORTS

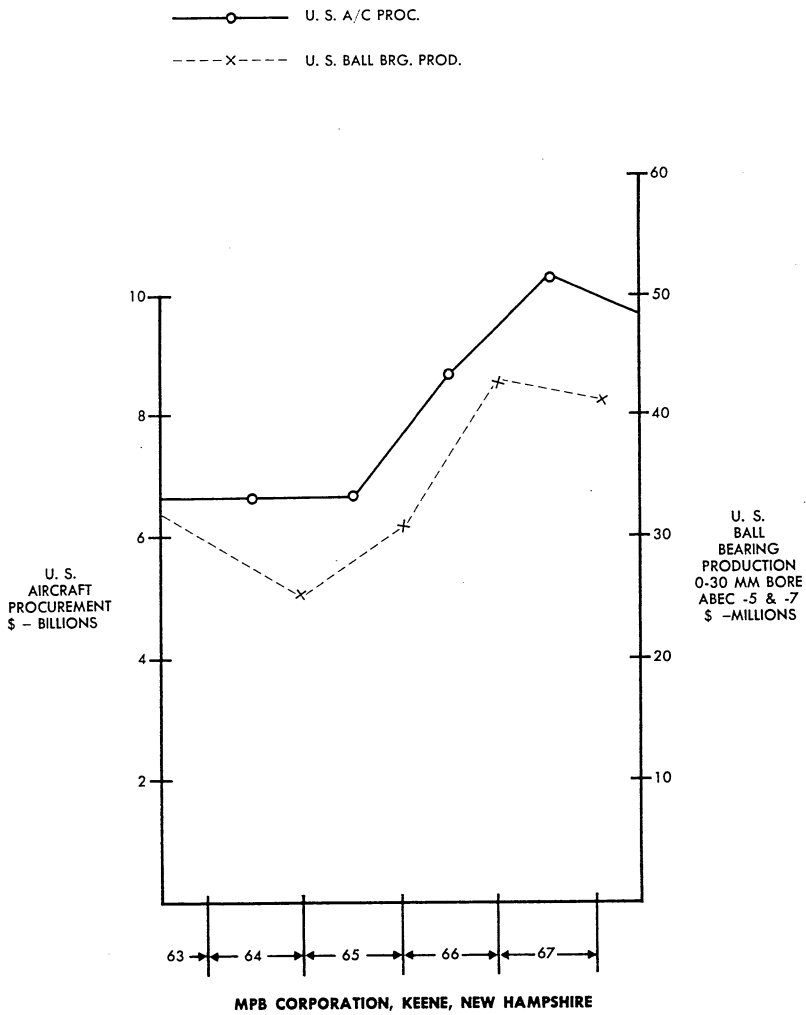
As previously discussed, the lack of adequate import information provided by the U.S. Government has made it extremely difficult to formally gauge the penetration of foreign bearing competitors into our defense establishment.

A. *Import values of our major Japanese competitor Nippon Miniature Bearings (NMB)*

As Addendum No. 1 to this statement, we are attaching a copy of an article from the April 1967 issue of the “Oriental Economist,” together with a detailed explanation of the rationale behind the Nippon Miniature Bearing Company (NMB) import figures presented in our previous statement. Examination of our derivation will disclose that very few assumptions were made in arriving at the figures presented and that, further, the information is, in the main, directly taken from the text of the Japanese publication in question. We regard these values as well founded in fact and, if anything, somewhat conservative.

We have not been as fortunate in obtaining accurate figures for other foreign competitors who, (perhaps older and wiser than NMB), have not chosen to publicize their growth—nor has the U.S. Government, up to this time, seen fit to inquire as to their progress. Nevertheless, we are able to present the analysis to follow with self-assurance as to its reasonableness.

EXHIBIT #1



B. Import values for our major Swiss competitor Miniaturekugallager, A. G., Biel, Switzerland (RMB)

Our estimate of RMB imports is based on one well-known fact—the number of employees. We have assumed that RMB's production capability is in proportion to the number of their employees and, furthermore, that their total production has been divided into three equal market areas; (1) Exports to the United States, (2) Exports to Western Europe and (3) Exports to the Iron Curtain.

It should be noted that Swiss companies are not obliged to honor the U.S. "positive" list—RMB, to the best of our knowledge, is the only producer outside of the Iron Curtain that is in a position to export critical items of this nature to the U.S.S.R.

To arrive at RMB's total production, we have used the number of employees attributed to this concern by Dun and Bradstreet. This number is compared to NMB's known employees and production capabilities as cited in the "Oriental Economist." We have divided the resulting RMB production values by three to arrive at calendar 1967 imports to the United States. The years 1964 through 1966 have been calculated using 1967 as a base, on the basis of total Swiss bearing imports—as now gathered by U.S. customs (dollars and pounds). Our values agree with other reports on RMB that our field salesmen have acquired.

As Exhibit No. 2, we show known NMB imports to the United States as opposed to our best estimate of Swiss imports. It will be noted that Swiss imports show a gradual rise as opposed to the dramatic rise of Japanese imports at a time when U.S. production capacity was overstrained and a sellers market, regardless of source, existed. We could speculate that the division of RMB's output over world markets placed our Swiss competitor in a position where his production "split" was carefully considered and well regulated.

C. Import values for our major German competitor Kugelfischer Georg Schafer and Company

Another foreign competitor is Kugelfischer Georg Schafer and Company, Schweinfurt/Main, Germany. Miniature bearings manufactured in its Canadian plant have been noted in increasing numbers by our field sales organization. Kugelfischer import figures have been obtained from estimates within the trade, and are included under "Other Imports."

D. Total U.S. imports of miniature precision bearings

Table I below shows the size of miniature bearing imports over the last four years and compares them against U.S. production.

TABLE I

Year	U.S. production category I, II ¹	NMB imports ¹	RMB imports ¹	Other imports ¹	U.S. consumption ¹	U.S. percent share
1964.....	7.0	1.0	1.7	0.3	10.0	70
1965.....	9.9	1.4	2.7	.4	14.4	69
1966.....	11.9	3.8	3.7	.7	20.1	59
1967.....	11.5	6.1	4.0	1.0	22.6	51

¹ Millions of units.

The last two columns of this table should be of considerable interest to the Committee. Note the decreasing share of total consumption held by U.S. manufacturers.

The full impact of this data can best be realized through Exhibit No. 3. We have plotted total U.S. consumption, U.S. production, and total imports—note that while consumption has increased markedly over the last four years, U.S. production has decreased while imports show a continuing growth.

The implications of Exhibit No. 1 should be considered together with those of Exhibit No. 3. The conclusion is clear:

- (1) *Our defense effort is now dependent on foreign bearings.*
- (2) *U.S. production capability is being allowed to wither.*

EXHIBIT #2

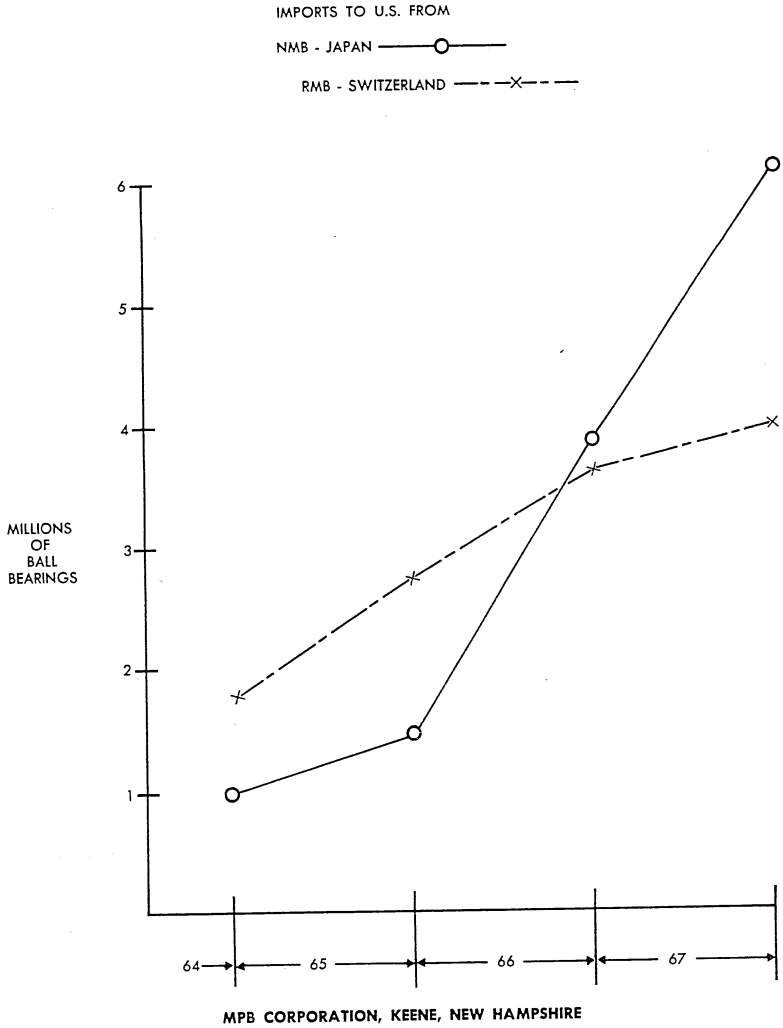
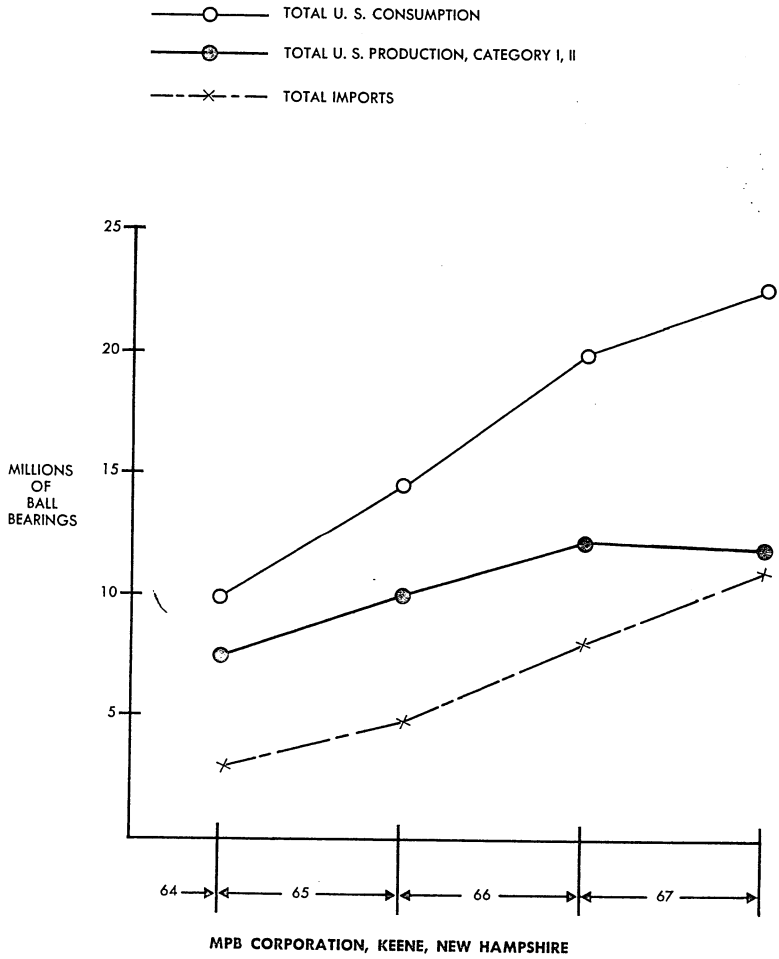


EXHIBIT #3



IV ADDITIONAL COMMENTARY

We are fortunate to *have as much* source material on Nippon Miniature Bearings as we do. We cite the following two pieces of information as cause for additional alarm:

A. The April 1967 "Oriental Economist" makes the statement (p. 277, par. 1, col. 2) that "If everything goes at the present tempo, the company's sales and declared profits for the September 1967 term will stand at Y1,500,000,000 (\$3,750,000) and Y150,000,000 respectively."

The September 18, 1967 issue of "Metalworking News" states that sales were indeed \$3,750,000. Things went, indeed "at the present tempo!" (Addendum No. 2)

The "Metalworking News" article further states that, "—70% is exported. The United States accounts for about 75% of the total exports."

B. The April 1967 "Oriental Economist" (p. 276, par. 4, col. 2) states, "Upon completion of this production expansion program in October 1967, the Kariuzawa Plant will become the modernest and one of the most powerful bearing production plants in Japan with an annual production capacity of Y2,000,000 (\$5,000,000) worth of products."

The April 1, 1968 issue of "Metalworking News" (one year later) projects sales of NMB American Corporation of \$3 - 5,000,000. (Addendum No. 3)

C. These statements (of NMB!) indicate a phenomenal growth in U.S. sales at the same time that our own Government data indicates a decline in U.S. production of comparable products.

D. As further addenda (No. 4, No. 5, and No. 6) we are enclosing:

- (1) Portions of NMB's catalog
- (2) Portions of Kugelfischer's catalog
- (3) An ad (French) for RMB

These demonstrate that the size range of their products are indeed "miniature" bearings.

E. Our Addendum No. 7 was distributed to Committee members toward the end of the March 13, 1968 hearings. We would like to provide a formal explanation of this graph—Addendum No. 8 does this in considerable detail.

The intent of this graph is to show that U.S. production of Category 1 bearings is now almost equal to NMB imports. Our projection for NMB 1968 imports, as we have shown, is derived from "The Oriental Economist," April 1967—which we have previously demonstrated to be excellent in its predictions of future activity.

V CLASSIFICATION OF MINIATURE BEARING PRODUCERS AS "SMALL BUSINESS"

One of the mechanisms by which the penetration of foreign producers into the defense establishment could be determined would be through the classification of domestic miniature bearing producers as "small business."

Examination of ASPR and its various definitions of "small businesses," indicates that such classification has precedence.

A. In the most usual case, miniature precision bearings are procured by a prime contractor, or major subcontractor, to the U.S. Government. It is our understanding that all contractors procuring against contracts over \$500,000 are required to operate with a "small business subcontracting clause" in their contract. (Similar contractors with contracts of less than \$500,000 are "urged" to have such a program.)

Paragraphs (a) (4) (A), (C), (D), and (a) (5) of 1-707.3 of ASPR specify that a contractor will be obliged to document business not placed with "small businesses" as well as to detail the selection of the ultimate vendor. Such documentation would provide a mechanism by which the usage of non-small business produced (foreign) precision bearings could be determined.

As we have previously reported, the Committee for the Statistical Annotation of Tariff Schedules has rejected the AFBMA request to collect appropriate import data for miniature bearings at their port of entry. Classification of domestic bearing producers as "small business" would permit collection of equivalent data at the point of usage. Such classification would not change current competitive positions nor would it bring immediate relief to our industry. Such classification, nevertheless, might result in subsequent action by DOD before the complete loss of the industry's production capacity.

B. In the area of direct government purchase of miniature bearings, it is our understanding that a Small Business Advisor could "set aside" procurements of

miniature precision bearings to small businesses. An Advisor would be justified in his decision under ASPR 1-706.1(a) (i), (iii). In actuality, most of the miniature bearing procurements are not made directly by the Government. Such a move by a small business administrator would have relatively minor economic benefit to such producers and would not give protection to DOD against its growing dependency on foreign suppliers.

VI. SUMMARY

The supplemental information presented here has demonstrated that 50% of miniature precision bearings used in the United States today are of foreign manufacture. Accordingly, our defense posture is dependent on foreign sources for its well-being.

The results appear inevitable unless action is taken by the Government—domestic production facilities will decay, investments will be made elsewhere, and a valuable national asset will deteriorate to the point of decay. The consequences, in the event of a national emergency after 1970, are alarming.

ADDENDUM No. 1

N. M. B. IMPORTS

The "Oriental Economist" article of April 1967 was examined in detail. The data contained in the table on page 277 of the magazine were used as the base for all computations leading to the data in our March 13, 1968 submittal.

1. For the year ending September 1967:

Exhibit I shows exports of *6,075,000 units* to U.S.A. This estimate was made as follows:

A. The "Oriental Economist" article states, "company sales . . . for the September 1967 term will stand at Y1,500 million."

B. The table shows the September 1966 term required production of 500,000 units/month to secure Y832 million sales. Direct extrapolation of the 1966 sales and production period ending September 1967 results in a capacity of 900,000 units/month or 10,800,000 units/year.

C. Text (top right, page 277) states, "more than 70%" (of production) "will be accounted for by exports." MPB assumed "more than" was 75%, as the September 1967 "Metalworking News" article stated, "about 70% is exported." Since the statement was made in the U.S.A. at a time when Congress was considering many bills to limit imports, we assumed the estimate was conservatized.

75% of 8,100,000 units equals *6,075,000 units*.

D. "Metalworking News" article of September 1967 stated, "U.S. accounts for about 75% of the total export."

75% of 8,100,000 units equals *6,075,000 units*.

2. For the year ending September 1966:

Exhibit I shows exports of *3,800,000 units* to U.S.A. This estimate was made as follows:

A. The "Oriental Economist" article (page 277, lower left) states, "The company's exports in the same fiscal term (September 1966) totalled . . . with export ratio finally topping the 70% mark."

70% of 6,000,000/year (taken from the table in article) is 4,200,000/year.

B. Our own knowledge of Nippon Miniature Bearings' European progress, plus the article's comments that, "In 1967, the company's export scale has been greatly expanded because of its long-awaited-for advance into European markets," required that we reduce their total exports in 1966 by a small amount to estimate the portion exported to the U.S. We used approximately 10% or 400,000 units as the portion going to other countries. Exports to the U.S. were then 4,200,000 units/year minus 400,000 units to other countries or *3,800,000 units/year*.

3. For the year ending September 1965:

Exhibit I shows export of *1,400,000 units* to the U. S. A. This estimate was made as follows:

A. Statement of article used to support this addenda also stated. . . . exports in (66) were, "a sharp 3-fold advance over the 1965 performance." On this basis, $\frac{1}{3}$ of total 1966 exports was used as total for 1965.

$\frac{1}{3}$ of 4,200,000 equals *1,400,000*.

B. We assume exports to non-U. S. countries were negligible.

4. For the year ending September 1964:

Exhibit I shows export of 1,000,000 to U. S. A. This estimate was made as follows:

A. The "Oriental Economist" article (page 277, middle left) indicates the company's sale had leveled off in 1964. It goes on to state, "The company's business, however, immediately rebounded in the following year and chalked up a 30% sales gain chiefly on the strength of extremely brisk exports. . . ."

B. Analysis of the home market portion of 1965 indicates 2,200,000 units for home consumption. We therefore assumed that the home market in 1964 was about the same, or 2,000,000 units, which left 1,000,000 of the total production of 3,000,000 for export.

5. For the future:

The article states (page 1, center right), "Upon completion of expansion program in October 1967 they will have an annual production capacity of Y2,000 million worth of products."

At the 1966 ratio of 6,000,000 units/year to Y832,000,000 of product, their current capacity is 14,400,000 units/year.

75% total export equals 1,800,000 units.

75% of export to U. S. A. equals 8,100,000 units.

This is not a valid analysis as the article throughout implies that growth is achieved from export.

A more realistic estimate can be made, assuming:

A. That the home market for NMB products remains essentially at the 1967 level of 2,700,000 to 3,000,000 units.

B. That exports to the U. S. A. increase to 80% of total exports. The above has the effect of distributing total NMB production as follows:

	<i>Units/year</i>
Total	14, 400, 000
Home Consumption	2, 900, 000
Total Export	11, 500, 000
80% to U. S. A. equals	9, 200, 000

This is an increase of 3,125,000 over 1967. Note that 1967 showed an increase of 2,270,000 over 1966 which, in turn, showed an increase of 2,400,000 over 1965.

The estimate of 9,200,000 and increase of 3,125,000 in 1968 is more in line with our own appraisal of the future; i.e. recent forecast information from the field indicated that 35% of our major customers were using and/or considering the use of JAPANESE bearings.

U.S. MINIATURE BEARING PRODUCTION

	ABEC 1-3 (0-9)	ABEC 1-3 (9-30)	ABEC 5, 7 (0-9)	ABEC 5, 7 (9-30)
Calendar year 1964	1. 6	54. 45	5. 44	5. 52
Calendar year 1965	4. 5	46. 46	5. 35	5. 96
Calendar year 1966	4. 4	61. 98	7. 59	8. 78
Calendar year 1967, estimate	4. 2	59. 7	7. 32	8. 48

Source: (1) Data from U.S.D.C. reports—millions of bearings; (2) calendar year 1967 data estimated from dropoff as reported in AFBMA figures.

Examples below show how we defined the categories:

	For 1964
Category I equals:	
100 percent ABEC 1 and 3 (0-9mm.)	1. 60
Plus 30 percent ABEC 5 and 7 (0-9mm.)	1. 63
Total	3. 23
Category II equals:	
100 percent ABEC 1-7 (0-9mm.):	
For calendar year 1964 ABEC 1-3	1. 60
For calendar year 1964 ABEC 5-7	5. 44
Total	7. 04

[The Oriental Economist, April 1967]

COMPANY OF THE MONTH : NIPPON MINIATURE BEARING Co., LTD.

The Japanese bearing industry is composed of four major enterprises, several "up-coming" specialist firms and a number of medium and small-size operators. It is only in recent few years, however, that the "up-and-coming" enterprises have become an important part of the Japanese bearing industry which had long been dominated by the "Big Four." Such up-and-coming companies include Nippon Miniature Bearing, a specialist in the production of miniature bearings, Nippon Thompson, engaged in the production of needle bearings Asahi Seiko and Nippon Pillow Block, both specialist manufacturers of pillow blocks.

Particularly noteworthy in recent few years is the spectacular rise of Nippon Miniature Bearing, which, in spite of its comparatively short history dating back to only 1951, has now become the unrivalled leader in its own field, easily shaking off the heated competition offered by the "Big Four."

Thanks to its almost monopolistic hold on the market, Nippon Miniature Bearing is now enjoying a stable tone of the market quotations of its products. This situation is radically different from those for other products, such as needle bearings and pillow blocks, which are suffering heavily from excessive sales competitions. Exports of miniature bearings are also faring very well in recent years.

Nippon Miniature Bearing is widely known for its unusually high earning power and huge growth potentialities. It is particularly noteworthy in this connection that, unlike in the case of needle bearings and pillow blocks which chiefly rely on domestic markets for demands, high profits and constant growth of miniature bearings have been largely achieved by way of exports.

One of the strongest points of the miniature bearing as an export product is the fact that it is closely related with such "future industries" as aircraft, electronic computers, space equipments and automation equipments, etc. Moreover, because of the extremely high levels of techniques required for the production of miniature bearings, the number of specialists in this field is internationally very limited. Today, Nippon Miniature Bearing has become one of the most important suppliers of miniature bearings in the world along with MPB and NHB of the United States and RMB of Switzerland.

Chiefly responsible for this rapid rise of Nippon Miniature Bearing are the company's tireless efforts at technological innovations and President Takemi Takahashi's unwavering insight into the future coupled with his sharp decision-making faculty.

As has been mentioned before, the establishment of Nippon Miniature Bearing dates back to only 1951, while the establishment of its first plant worthy of the name had to wait until 1959.

With this bold move as a turning point, Nippon Miniature Bearing has begun to follow a smooth path to the present prosperity. In 1961, the company got itself listed on the Second Section of the Tokyo Stock Exchange and, in 1962, embarked upon the construction of its Karuizawa Plant, which went into action as from the summer of the following year, boosting the company's production capacity by 1.5-fold.

During the interim, the company increased its capital to ¥210 million in 1962 and further to ¥315 million in 1963.

In May, 1964, Nippon Miniature Bearing concluded a technical assistance contract with SNFA of France in order to further improve the quality of the company's products so that they can favorably compete in the international arena. Today, the company's exports are particularly brisk to the United States, in which Nippon Miniature Bearing boasts of more than 100 customers in the fields of electronic computers, automation equipments and aircraft.

In order to cope with the sharply growing requirements and achieve highest degrees of efficiency, the company closed down its Kawaguchi Plant in the summer of 1965 and planned to concentrate all its production in its Karuizawa Plant. In accordance with this program, Nippon Miniature Bearing is now in the process of expanding the production capacity of its Karuizawa Plant at the total cost of ¥600 million. Upon completion of this production expansion program

in October, 1967, the Karuizawa Plant will become the modernest and one of the most powerful bearing production plants in Japan with the annual production capacity of ¥2,000 million worth of products.

Vital statistics of the Karuizawa Plant as of the end of September, 1966, on the other hand, were as follows: 71,379 square meters of plant site; 2,596 square meters of plant buildings and constructions; 351 employees; 443 units of modernest production equipment; and 216 units of testing and inspection machines. The average monthly production of the Karuizawa Plant stands in the neighborhood of 500,000 units.

Located in a part of the Karuizawa highlands, one of the most representative summer resorts in Japan, the Karuizawa Plant is ideal for precision industries because of pure air. Abundant labor and geographical proximity to Tokyo also offer great advantages to Karuizawa as a seat of precision industries. In addition, as Karuizawa is covered by the Underdeveloped Area Industrial Promotion Law, any industrial plants operating there are able to enjoy special depreciation write-off favors on their machinery and equipments.

As can be seen from the accompanying table, Nippon Miniature Bearing has been enjoying an unusually brisk growth and high profits. It is true that the company had to pass its dividend in the full-year term ended September, 1964, partly because of the heavy burden of construction expenses of the Karuizawa Plant, partly because of the levelling-off of sales and partly because of still embryo stage of exports.

The company's business, however, immediately rebounded in the following year and chalked up a 30 per cent sales gain chiefly on the strength of extremely brisk exports which recorded an almost three-fold gain in that year. In more detail, Nippon Miniature Bearing registered total sales of ¥411,360,000 and declared profits of ¥17,520,000 after carrying out brisk depreciations amounting to ¥100,000,000.

In the following full-year term ended September, 1966, the company's sales and profits further advanced to ¥832,100,000 and ¥78,840,000 (after ¥100 million depreciations), respectively. This sharp improvement in Nippon Miniature Bearing's business results is partly due to the great technological advancement made possible by the company's conclusion of technical tieup contract with SNFA of France and partly because of a sharp increase in the number of U.S. customers. As a result, the company was able to write off all the red-letter figures carried over from the September, 1964 term and revived an annual 10 per cent dividend as from the September, 1966 term.

The company's exports in the same fiscal term totalled ¥567,760,000 or a sharp 3-fold advance over the 1965 performance with the export ratio finally topping the 70 per cent mark. By categories of foreign buyers, automation equipments led the way with 50 per cent of the total, followed by aircraft with 20 per cent, IBM electronic computers with 15 per cent and others with 5 per cent.

Recently, demands are particularly brisk for high precision super miniature bearings for aircraft uses.

Nippon Miniature Bearing's business results are bound to improve sharply in the current full-year term ending September, 1967. New orders received during the September, 1966 term totalled ¥998,650,000 or a sharp gain of 92 per cent over the previous term. This increasing trend of new orders has been carried over to the current business term and, as a result, the company's monthly sales has been growing steadily.

If everything goes at the present tempo, the company's sales and declared profits for the September, 1967 term will stand at ¥1,500 million and ¥150,000,000, respectively. Of the total sales, more than 70 per cent will be accounted for by exports. The industry informants are of the belief that Nippon Miniature Bearing will come to account for about 12-13 per cent of Japan's entire bearing exports in fiscal 1967 and about 10 per cent of the entire miniature bearing requirements in the United States in the same year.

In 1967, the company's export scale has been greatly expanded because of its long-awaited-for advance into European markets. In last February, the representatives of Elliott Brothers (London) Ltd. and the Air Registration Board of Britain visited Nippon Miniature Bearing Co.'s plants and carried out extensive and rigorous inspections of the company's production and quality control systems, etc. These representatives also called upon Japanese Government officials in charge of bearing and aircraft industries as well as export inspection businesses to make sure that Nippon Miniature Bearing Co. is truly worthy of their trust. Having come to satisfactory conclusions after such rigorous inspections, the British side has finally concluded a long-term export contract with the Japanese bearing manufacturer.

Elliott Brothers is the largest automation equipment manufacturer in Britain well comparable in business caliber with Bendix Corporation of the United States. The company is now a partner of the joint French-British development project of the Concorde supersonic jet transport plane.

Although Britain has long been an exclusive territory of U.S. and Swiss bearing manufacturers, Nippon Miniature Bearing has finally broken the barrier and has been awarded a long-term contract after rigorous performance tests, plant inspections, etc. With this contract as a springboard, Nippon Miniature Bearing will be able to advance actively into West European markets.

There is no doubt that the international reputation of Nippon Miniature Bearing's products will be greatly enhanced by its recent conclusion of an export contract with Elliott Brothers.

Thus, it is not too much to say that Nippon Miniature Bearing is now riding on the crest of a major boom. In order to build itself into a *bona fide* international enterprise, the company is scheduled to carry out a 50 per cent capital expansion in next June and boost its new capital to ¥462,500,000.

GROWTH OF NIPPON MINIATURE BEARING CO.

[In millions of yen]

	September 1964	September 1965	September 1966
Sales.....	318	411	832
Operational profits.....	85	86	257
Recurring profits.....	40	25	193
Declared profits.....	(-)60	18	79
Dividend (percent).....	0	0	10
Depreciations for the term.....	199	106	100
Tangible fixed assets.....	516	449	532
Cumulative depreciations.....	430	532	615
Total liabilities and net worth.....	1,215	1,252	1,458
Net worth.....	324	341	420
Monthly production capacity (1,000 units).....	250	300	500

ADDENDUM #2

METALWORKING NEWS, September 18, 1967

Nippon Bearing Mulls US Outlet

TOKYO — Nippon Miniature Bearing Co. here, plans to establish a sales subsidiary in the United States.

A spokesman said Iwao Ishizuka, director, is in the United States to explore the possibility of a subsidiary.

The company manufactures some \$3,750,000 worth of miniature bearings annually, of which about 70 per cent is exported. The United States accounts for about 75 per cent of the total export.

ADDENDUM #3

Metalworking News
April 1, 1968

Nippon Bearing Seeks US Branch

TOKYO — Nippon Miniature Bearing Co. here has filed application with the Japanese Government for permission to set up a sales subsidiary in Los Angeles this summer.

The branch would be named NMB American Corp. Annual sales could reach \$3 million to \$5 million, spokesmen said. It would be capitalized at \$300,000.

A spokesman said sales to the American market of miniature precision bearings is growing rapidly, especially in the aircraft and computer industries.

Nippon Miniature Bearing Co. also has begun preparation for export of rod-end bearings to the United States. Facilities are being expanded at the company's Karuzawa plant for production of rod-end bearings, it was said.

RADIAL RI SERIES

ADDENDUM #4
Page from NMB Catalog

NMB SIZE EQUIVALENTS LIST

Stainless steel

radial retainer

N M B	M P B	N H B B	F A F N I R	B A R D E N	N D	M I C R O T E C H	R E E D	M R C	R M B
SSR-2	SR2C	SR2	A33K3	SR2K	SSR2	MR-655		R-2-ST	R4012X
SSR-2A	SR2AC		A33K4	SR2A	SSR2A			R-2A-ST	
SSR-3	SR3R	SR3	A33K5	SR3K	SSR3D	MR-855		R-3-ST	R6016X
SSR-4	SR4R	SR4	AS1K7	SR4K	SSR4D	MR-1055		R-4-ST	R8020X
SSR1-2	SR2C	SR09			SSM0308A				UL1334K
SSR1-2 1/2	SR2 1/2 C	SR0		SR0K	SSM0310	MR-2 1/2 SS			UL1505X
SSR1-3	SR3C	SR1		SR1K	SSM0412A	MR-355	2210		R1706X
SSR1-3332	SS3332C	SR133		SR133K	SSM0612	MR-333255			UL3003X
SSR1-4	SR4C	SR1-4		SR1-4K	SSM0516	MR-455	2460		R2508X
SSR1-418	SR418C	SR144	AV8K16	SR144W	SSM0816	MR-41855	2810		UL4008X
SSR-5	SR5C	SR1-5	AV8K20	SR1-5K	SSM0620	MR-555	2740	R-1 1/2-ST	R3010X
SSR1-518	SR518C	SR2-5	AV8K20	SR2-5K	SSM0820	MR-51855	2530	P-2-5-ST	R4010X
SSR1-5532	SS532C	SR155	AV10K20	SR155K	SSM1020	MR-553255	2790		UL5010X
SSR1-5632	SS632C	SR156	AV12K20	SR156K	SSM1220	MR-563255	2850		UL6010X
SSR1-618	SR618C	SR2-6		SR2-6K	SSM0820	MR-61855	2750		
SSR1-6632	SS632C	SR166	AV12K24	SR166W	SSM1224D	MR-663255	2480		UL6012X
SSR1-614	SR614C	SR168	AV16K24	SR168K	SSM1624	MR-61455	2020		UL8012X
SSR1-814	SR814C	SR188		SR188K	SSM1632D	MR-81455	2220		UL816X
SSR1-8516	SR8516R	SR1810			SSM2032				
SSR1-1214			AS1K	SR4A	SSR4AC			S-1-ST	R8024X
SSR1-1438			AS3K	SR6K	SSR6DD			R-6-ST	

flanged radial retainer

SSRF-2	SR2FC	SRF2	AF33K3	SRF2K	SSNR2	MR-655		FC-2ST	RK4012X
SSRF-3	SR3FR	SRF3	AF33K5	SRF3K	SSNR3D	MR-855		FC-3ST	RK6016X
SSRF-4	SR4FR	SRF4	AF51K7	SRF4K	SSNR4D	MR-1055		FC-4ST	
SSRF-2 1/2	SR2 1/2 FC	SRF0		SRF0K	SSNM0310	MR-2 1/2 SS			ULK1505X
SSRF-3	SR3FC	SRF1		SRF1K	SSNM0412A	MR-355	2520		RK1706X
SSRF-3332	SS332FC				SSNM0412	MR-333255			ULK3306X
SSRF-4	SR4FC	SRF1-4		SRF1-4W	SSNM0516	MR-455	2980		RK2508X
SSRF-418	SR418FC	SRF144	AVF8K16	SRF144W	SSNM0816	MR-41855	2140		ULK4008X
SSRF-5	SR5FC	SRF1-5	AVF8K20	SRF1-5K	SSNM0620	MR-555	2270	FC-1 1/2-ST	RK3010X
SSRF-518	SR518FC	SRF2-5	AVF8K20	SRF2-5K	SSNM0820	MR-51855	2320	FC-2-5ST	RK4010X
SSRF-5532	SS532FC	SRF155	AVF10K20	SRF155K	SSNM1020	MR-553255	2570		ULK5010X
SSRF-5632	SS632FC	SRF156	AVF12K20	SRF156K	SSNM1220	MR-563255	2990		ULK6010X
SSRF-618	SR618FC	SRF2-6				MR-61855	2180		
SSRF-6632	SS632FC	SRF166	AVF12K24	SRF166W	SSNM1224D	MR-663255	2720		ULK6012X
SSRF-614	SR614FC	SRF168	AVF16K24	SRF168K	SSNM1624	MR-61455	2380		ULK8012X
SSRF-814	SR814FC	SRF188		SRF188K	SSNM1632D	MR-81455	2310		
SSRF-8516	SR8516R	SRF1810			SSNM2032				

radial retainer double shield

SSR-2ZZ	SR2CHH	SR2PP	A33KDD3	SR2SS	SSS77R2	MR-6-RPP-SS		R-2-FF-ST	RZ4012X
SSR-2AZZ	SR2ACHH			SR2ASS	SSS77R2A			R-2AFF-ST	
SSR-3ZZ	SR31HH	SR3PP	A33KDD5	SR3SS	SSS77R3D	MR-8-RPP-SS		R-3FF-ST	RZ6016X
SSR-4ZZ	SR41HH	SR4PP	AS1KDD7	SR4SS	SSS77R4D	MR-10-RPP-SS		R-4FF-ST	RZ8020X
SSR1-2 1/2 ZZ	SR2 1/2 CHH	SR0PP		SR0SS	SS77M0310	MR-2 1/2 RPP-SS			ULZ1505X
SSR1-3ZZ	SR3CHH	SR1PP		SR1SS	SS77M0412A	MR-3RPP-SS	2960		RF1706X
SSR1-3332ZZ					SS77M0612				
SSR1-4ZZ	SR4CHH	SR1-4PP		SR1-4SS	SS77M0516	MR-4-RPP-SS	2630		RF2508X
SSR1-418ZZ	SR418CHH	SR144PP	AV8K160D	SR14455W	SS77M0816	MR-418-RPP-SS	2510		ULZ4008X
SSR1-5ZZ	SR5CHH	SR1-5PP	AV8K200D	SR1-5SS	SS77M0620	MR-5-RPP-SS	2670	R-1 1/2 FF-ST	RF3010X
SSR1-518ZZ	SR518CHH	SR2-5PP	AV8K200D	SR2-5SS	SS77M0820	MR-518-RPP-SS	2840	R-2-5-FF-ST	RZ4010X
SSR1-5532ZZ	SS532CHH	SR155PP	AV10K200D	SR155SS	SS77M1020	MR-5532-RPP-SS	2420		ULZ5010X
SSR1-5632ZZ	SS632CHH	SR156PP				MR-5632 RPP-SS	2680		ULZ6010X
SSR1-618ZZ	SR618CHH	SR2-6PP				MR-618 RPP-SS	2930		ULZ4012X
SSR1-6632ZZ	SS632CHH	SR166PP	AV12K240D	SR16655W	SS77M1224D	MR-6632 RPP-SS	2930		ULZ4012X
SSR1-614ZZ	SR614CHH	SR168PP	AV16K240D	SR16855	SS77M1624	MR-611 RPP-SS	2920		ULZ8012X
SSR1-814ZZ	SR814CHH	SR188PP		SR18855	SS77M1632D	MR-814-RPP-SS	2880		ULZ8016X
SSR1-8516ZZ	SR8516RH	SR1810PP			SS77M2032				
SSR1-1214ZZ			AS1KDD	SR4ASS	SS77R4A			R-4-AFF-ST	
SSR1-1438ZZ			AS3KDD	SR6SS	SS77R6			R-6-FF-ST	

FISCHER BEARINGS MANUFACTURING LIMITED / STRATFORD, ONTARIO, CANADA

THE HERITAGE OF FAG

The skilled craftsmanship inherent in all Fischer products may be traced back as far as 1852 when Phillip Moritz Fischer invented the world's first pedal bicycle. Later, in 1883, his son, Friedrich Fischer, founded the bearing industry by designing and constructing his revolutionary machine for automatically grinding steel balls.

The centreless grinding principles of Friedrich Fischer's "Ball Mill" remain today throughout the world as the basis for grinding precision steel balls to high accuracies.



The first pedal bicycle
invented by Phillip Moritz Fischer



Friedrich Fischer's Ball Mill

Since 1909 the Fischer enterprises have remained solely under the control and leadership of the Schäfer family conducting business under the trade name

FAG Kugelfischer Georg Schäfer & Co.

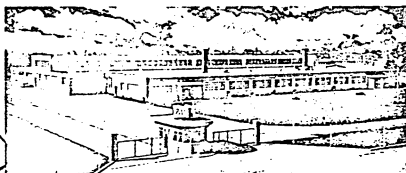
For over half a century **FAG** bearing technologists and craftsmen have contributed to the progress of industry by creating many of the basic types and improvements in bearing designs. Today, **FAG** factories on four continents manufacture all types of precision ball and roller bearings.

The good reputation enjoyed by **FAG** products is due to the accumulated skills and technical experience inherited

by three generations in the Fischer family of co-workers, combined with the utilization of the most advanced methods of bearing manufacturing techniques and machinery known.

Fischer Bearings Manufacturing Limited started to manufacture precision bearings at the Stratford, Ontario, plant in 1954, with particular emphasis being devoted to the production of precision instrument bearings for Canadian defence equipment.

With the acquisition of the best production machines and testing devices available, together with the completion of a new Clean Room, **FAG** is proud to be a vital part of the Canadian industrial scene in offering to world markets precision instrument bearings of the finest quality.



Fischer Bearings Manufacturing Limited, Stratford, Ontario



Kugelfischer Georg Schäfer & Co., Schweinfurt, West Germany

SOME OTHER FAG PRODUCTS

Precision Ball Bearings

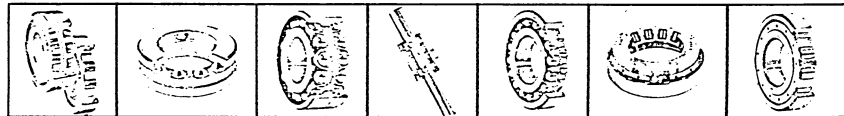
Deep groove—shielded or sealed
Magneto type
Single row angular contact
Double row angular contact
Double row self aligning
Single row thrust
Double row thrust
Shaft assemblies

Precision Roller Bearings

Single row cylindrical
Double row cylindrical
Multiple row cylindrical
Single row self aligning
Double row self aligning
Self aligning thrust
Taper
Needle

Miscellaneous

Precision steel balls
Precision rollers
Housings and labyrinth rings
Adapter and withdrawl sleeves
Locknuts and lockwashers
Fuel injection pumps
Bearing machines and tools
Disc brakes and grinding wheels



INTERCHANGE CHART

ADDENDUM #5
Page from Kugelfischer Catalog

RADIAL RETAINER — INCH SIZES — ONE SHIELD										
FAG	BARDEN	FAFNIR	MICRO	MICRO-TECH.	MPB	MRC	N.D.	REED	RMB	FAG
SR0612Z SR0616Z SR1020Z	SR133S SR144S SR155S	ASK12D ASK16D A19K20D	SR133P SR144P SR155P	MR 333Z-PPSS MR 418-PPSS MR 533Z-PPSS	S333ZCH S418CH S533ZCH	M-0612-F M-0616-F M-1020-F	7M0612 7M0616 7M1020	— — 2940	— ULZ200X1 ULZ2010X1	SR0612Z SR0616Z SR1020Z
SR1220Z SR1224Z SR1420Z	SR155S SR166S —	A19K20D A12K24D —	SR156P SR166P —	MR 562Z-PPSS MR 662Z-PPSS MR 572Z-PPSS	S562ZCH S662ZCH —	M-1200-F M-1224-F —	7M1200 7M1224 —	2820 2820 —	ULZ2010X1 ULZ2012X1 —	SR1220Z SR1224Z SR1420Z
SR1624Z SR1632Z SR2022Z	SR185S SR185SW —	A16K24D — —	SR186P — SR1810P	MR 614-PPSS MR 614-PPSS —	S614CH S614CH S6516RH	M-1624-F M-1632-F —	7M1624 7M1632 7M2022	2030 2300 —	ULZ2012X1 ULZ2015X1 —	SR1624Z SR1632Z SR2022Z
SR25100Z SR40125Z SR40156Z	— — SR05S	— — —	— — SR0P	— — MR 25Z-PPSS	— — S25ZCH	— — M-0310-F	— — 7M0310	— — 3540	— — ULZ1905X1	SR25100Z SR40125Z SR40156Z
SR55187Z SR516Z SR1202Z	— — SR1-5S	— ASK16D A6K20D	— SR14UP SR1-5P	MR 3-PPSS MR 4-PPSS MR 5-PPSS	S3CH S4CH S5CH	M-0412A-F M-0616-F M-0200-F	7M0412A 7M0516 7M0200	2050 2340 2720	RF1706X1 RF2506X1 RF2010X1	SR55187Z SR516Z SR1202Z
SR202Z SR24Z	SR2-5S SR2-4S	ASK20D —	SR2-5P SR2-6P	MR 518-PPSS MR 618-PPSS	S518CH S618CH	M-0200-F —	7M0200 —	2770 3400	RZ4010X1 —	SR202Z SR24Z
SR2Z SR2AZ SR3Z	SR2S SR2AS SR3S	A33K03 A33K04 A33K05	SR2P SR2PCS SR3P	MR 6-PPSS — MR 6-PPSS	SR2CH SR2ACH SR3RH	R-2-FM-ST R-2A-FM-ST R-3-FM-ST	SSR2R2 SSSR2R2A SSSR2R3D	3210 3340 3310	RZ4012X1 — RZ2010X1	SR2Z SR2AZ SR3Z
SR4Z SR4AZ SR5Z	SR4S SR4AS SR5S	AS1K07 AS1K1D AS3K0	SR4P — —	MR 10-PPSS — —	SR4RH — —	R-4-FM-ST R-4A-FM-ST R-6-FP-ST	SSSR4R4D SSSR4R4C SSSR4R60D	3410 — —	RZ6003X1 — —	SR4Z SR4AZ SR5Z
EE4Z EE5Z EE6Z	SR5S SR10S —	AS5K0 AS3K0 AS6K0	— — —	— — —	— — —	R-6-FP-ST R-10-FP-ST R-12-FP-ST	SSSR5R8 SSSR10 SSSR12	— — —	— — —	EE4Z EE5Z EE6Z
EE8Z EE9Z EE10Z	— — —	— — —	— — —	— — —	— — —	— — —	SSSR14 SSSR16 SSSR18	— — —	— — —	EE8Z EE9Z EE10Z
EE11Z EE12Z EE13Z	— — —	— — —	— — —	— — —	— — —	— — —	SSSR20 SSSR22 SSSR24	— — —	— — —	EE11Z EE12Z EE13Z
SR0612Z SR0616Z SR1020Z	SRW133S SRW144S SRW155S	— — —	SR133PEE SR144PEE SR155PEE	MR 418-PEESS MR 533Z-PEESS —	S418CHE S533ZCHE —	— — —	— — —	2204 2944 —	— — —	SR0612Z SR0616Z SR1020Z
SR1220Z SR1224Z SR1420Z	SRW156S SRW166S —	— — —	SR156PEE SR166PEE —	MR 562Z-PEESS MR 662Z-PEESS —	S562ZCHE S662ZCHE —	— — —	— — —	2604 2604 —	— — —	SR1220Z SR1224Z SR1420Z
SR1624Z SR1632Z SR2022Z	SRW166S SRW185S —	— — —	SR166PEE SR185PEE SR1810PEE	MR 614-PEESS MR 614-PEESS —	S614CHE S614CHE S6516RHE	— — —	— — —	2024 2304 —	— — —	SR1624Z SR1632Z SR2022Z
SR25100Z SR40125Z SR40156Z	— — SRW05S	— — —	— — SR0PEE	— — —	— — S25ZCHE	— — —	— — —	— — 3544	— — —	SR25100Z SR40125Z SR40156Z
SR55187Z SR516Z SR1202Z	SRW15S SRW1-4S SRW1-5S	— — —	SR1PEE SR1-4PEE SR1-5PEE	MR 3-PEESS MR 4-PEESS MR 5-PEESS	S3CHE S4CHE S5CHE	— — —	— — —	— — 2734	— — —	SR55187Z SR516Z SR1202Z
SR202Z SR24Z SR2Z	SRW2-5S SRW2-6S —	— — —	SR2-5PEE SR2-6PEE —	MR 518-PEESS MR 618-PEESS —	S518CHE S618CHE SR2CHE	— — —	— — —	2774 2454 —	— — —	SR202Z SR24Z SR2Z
SRF0612Z SRF0616Z SRF1020Z	SFR133S SFR144S SFR155S	— AFBK16D AF10K20D	SFR133P SFR144P SFR155P	MFR 418-PPSS MFR 533Z-PPSS —	S333ZCH S418FCH S533ZCH	FC-0612-F FC-0616-F FC-1020-F	7N0612 7N0616 7N1020	— — —	ULKZ000X1 ULKZ010X1 —	SRF0612Z SRF0616Z SRF1020Z
SRF1220Z SRF1224Z SRF1420Z	SFR156S SFR166SW SFR166S	AF12K20D AF12K24D AF16K24D	SFR156P SFR166P SFR166P	MFR 562Z-PPSS MFR 662Z-PPSS MFR 614-PPSS	S562ZCH S662ZCH S614FCH	FC-1200-F FC-1224-F FC-1624-F	7N1220 7N1224 7N1624	— — —	ULKZ010X1 ULKZ020X1 ULKZ021X1	SRF1220Z SRF1224Z SRF1420Z
SRF1632Z SRF2022Z SRF40156Z	SFR185SW — —	— — —	SFR185P — —	MFR 614-PPSS — —	S614FCH S6516FCH S25ZCH	FC-1622-F — FC-0310-F	7N1632 7N1632 7N10310	— — —	— — —	SRF1632Z SRF2022Z SRF40156Z
SRF55187Z SRF516Z SRF1202Z	— — SFR1-5S	— — AFBK20D	— — SFR1-4P SFR1-5P	MFR 3-PPSS MFR 4-PPSS MFR 5-PPSS	S3FCH S4FCH S5FCH	FC-0412-AF FC-0516-F FC-0620-F	7N0412A 7N0516 7N0620	— — —	— — —	SRF55187Z SRF516Z SRF1202Z
SRF202Z SRF24Z SRF2Z	SFR2-5S SFR2-6S SFR2S	AFBK20D — AF33K03	SFR2-5P SFR2-6P SFR2P	MFR 518-PPSS MFR 618-PPSS MFR 6-PPSS	S518FCH S618FCH SR2FCH	FC-0620-F — FC-2-FM-ST	7N0620 — SSR57NR2	— — —	RKZ4010X1 RKZ4012X1 —	SRF202Z SRF24Z SRF2Z
SRF2AZ SRF3Z SRF4Z	— SFR2S SFR4S	— AF33K05 AF31K07	— SFR3P SFR4P	MFR 8-PPSS MFR-10-PPSS —	SR3FCH SR4FCH —	FC-3-FM-ST FC-4-FM-ST —	SSR57NR3D SSR57NNR4D —	— — —	RKZ5010X1 — —	SRF2AZ SRF3Z SRF4Z
SRF4AZ SRF6Z	— SFR6S	— AF33K0D	— —	— —	— —	— —	— —	— —	— —	SRF4AZ SRF6Z

*For radial retainer flanged, extended inner ring, replace FAG prefix symbol SRF— by SRFEE—

The most extensive selection of

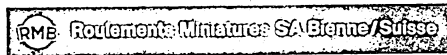
Miniature Ball Bearings

of 1 to 10 mm inner diameter
or 3 to 19 mm outer diameter



In carbon chrome steel
In corrosion resistant steel
metric dimensions
Inch dimensions
cylindrical
flanged
shielded
unshielded
specially sensitive
specially silent
for high speeds
for high temperatures
for duplex mounting

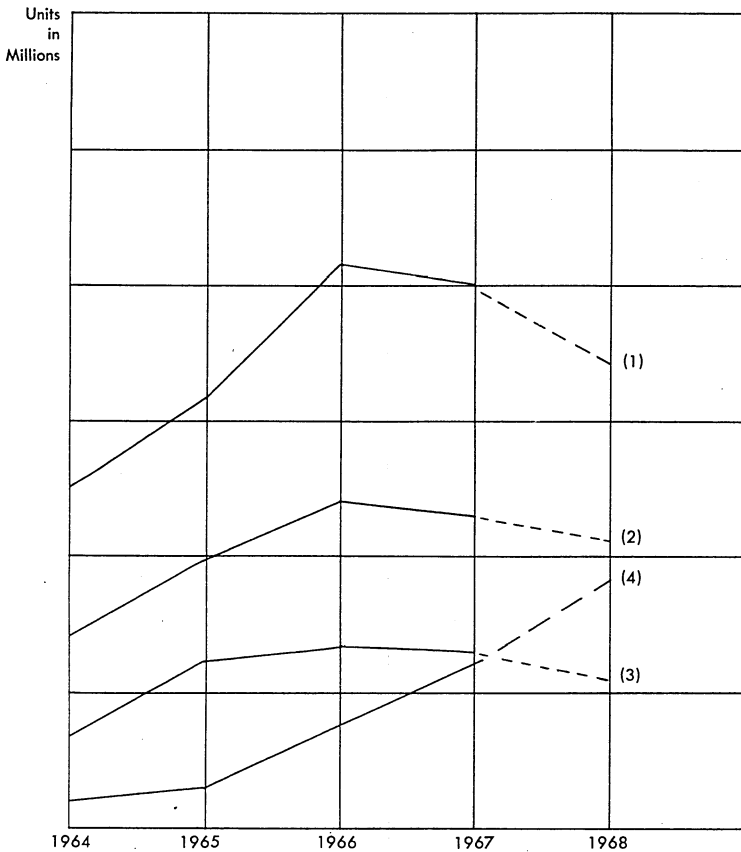
plus an expert advisory service
Is offered by



the first factory for small ball bearings —
more than 30 years experience in the production
and testing
of precision miniature ball bearings

ADDENDUM #7
(graph #3)**A COMPARISON OF:**

- (1) U. S. production of miniature and instrument bearings.
- (2) U. S. production of Category I and II bearings.
- (3) U. S. production of Category I bearings.
- (4) Imports to the U. S. from one Japanese producer.

**Sources**

- (A) U. S. D. C. Reports
- (B) Oriental Economist, April 1967

MPB CORPORATION, KEENE, NEW HAMPSHIRE

ADDENDUM No. 8

A Further Clarification of Graph No. 3

This exhibit shows U. S. production of various bearing groupings, as well as total bearing production of one Japanese bearing manufacturer.

1. U. S. production of miniature and instrument bearings (Curve 1) shows all 0-9 mm. o.d. bearings, regardless of precision grade, and all 9-30 mm. o.d. bearings of a precision grade generally required for defense items (gyros, gear heads, antennas, etc.) These bearings, by reason of size and/or precision grade, constitute "miniature and instrument bearings."
2. U. S. production of "Category I and II" bearings shows the sum of all 0-9 mm. o.d. bearings of all grades of precision. Such bearings, by reason of their size, require very specialized equipment and assembly facilities and represent the normal output of the miniature bearing manufacturer.
3. U. S. production of "Category 1" bearings shows the sum of (1) all 0-9 mm. o.d. low precision grade bearings, and (2) 30% of total U. S. production of high precision grade 0-9 mm. o.d. It is this portion of our business that has provided the base on which our previous expansions and technical developments have been founded.
4. The curve showing the output of one Japanese bearing manufacturer was developed from data in the April 1967 issue of the "Oriental Economist."

COMMENT:

While we have no way of directly determining the size and tolerance range produced by the Japanese plant, we know that optimum profits would accrue if the Japanese product fell into the Category I area. Until quite recently the demand for Category I product could not be met by U. S. production—due to the Vietnam escalation. In this area the Japanese found a "sellers market" in which a product could be sold with a minimum of technical content or customer contact. We feel, therefore, that Curves (3) and (4) are directly comparable, and that the Japanese now have more than 50% of the total U. S. (defense) market for this commodity.

**BEFORE THE TRADE INFORMATION COMMITTEE
OF THE
OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS**

**STATEMENT OF WILLIAM M. SCRANTON*
ON BEHALF OF
THE ANTI-FRICTION BEARING MANUFACTURERS ASSOCIATION**

**IN CONNECTION WITH
FUTURE OF U. S. FOREIGN TRADE POLICY**

The Anti-Friction Bearing
Manufacturers Association
60 East 42nd Street
New York, New York

May 7, 1968

*Also submitted to the Trade Information Committee were the two preceding statements by Wm. M. Scranton, and a fourth statement prepared by AFBMA.

MPB CORPORATION, KEENE, NEW HAMPSHIRE

1. FOREWORD AND INTRODUCTION

It is our understanding that the Trade Information Committee is interested in obtaining industry views which will help it to develop an administrative position for U. S. trade policy.

It is the intent of this statement to bring to the Committee's attention a suggestion towards future policy which we hope will transcend our industry's self-interest or any stigma of economic protectionism.

The Anti-Friction Bearing Manufacturers Association (AFBMA) feels that there should be sufficient safe-guards to insure that foreign trade policy does not act to deplete an industry on which this country's defense is based.

It is the further intent of this statement to demonstrate that present foreign trade policy does not provide such safe-guards and that, indeed, a vital industry, upon which this country's defense is based, is now in the process of depletion.

II. THE ANTI-FRICTION BEARING MANUFACTURERS ASSOCIATION

The AFBMA is a national association comprised of companies who account for more than 80% of this nation's output of anti-friction bearings. A list of the Association's membership is attached as Appendix A. This industry currently produces approximately \$1.2 billion of anti-friction bearings, with a work force of more than 60,000. It is universally acknowledged that every mechanical device that rolls, flies or floats, is dependent upon an anti-friction bearing for its proper function. In this sense, the well-being of this country is substantially more dependent upon a healthy anti-friction bearing industry than the relatively small dollar volume and the relatively small number of employees might suggest.

III. THE DEPENDENCE OF OUR DEFENSE EFFORT ON THE ANTI-FRICTION BEARING

The role of anti-friction bearings in our national defense effort is easily demonstrable. Without such bearings, airplanes would not be able to fly to their target, missiles would be unguided, and communications would flounder. It is safe to say that the defense capability of this country would not only be crippled, but would be ruined without a viable bearing industry.

Further government recognition of the importance of anti-friction bearings is to be noted in the "Proposed Shipment of Ball Bearing Production Machinery to the U. S. S. R., U. S. Senate Committee on the Judiciary, Senate Internal Security Sub-Committee, First Session 1961." It was established during these hearings that the export of ball bearing production machinery would give the U. S. S. R. a capability in the ball bearing field that would pose a serious military threat to the United States. On the basis of these hearings, export licenses for this equipment were cancelled upon the recommendation of the Department of Defense.

For further substantiation, we show plots of total sales of anti-friction ball bearings against military aircraft orders (industry sales data from the AFBMA statistics, aircraft procurement figures from Aviation Week, March 18, 1968). It is significant that the shipments of anti-friction bearings are closely related to the rise and fall of aircraft procurement.

IV. THE RISE OF BEARING IMPORTS

It is estimated that at the present time approximately 13 % of the ball bearings used in this country are of foreign manufacture. Data available to the domestic industry shows that imports of all bearings are increasing year by year. The volume doubles every two to three years. Imported bearings, primarily from Germany and Japan, are now an essential defense commodity in the United States.

Of particular concern is the fact that imports are centralized primarily in the high volume production areas which call for minimum of customer contact and engineering service on the part of the vendor. The effect of imports on U. S. bearing manufacturers is marked, in the sense that foreign producers are taking away the "bread and butter" production from the industry and gradually leaving it with low volume, highly specialized items requiring a maximum engineering effort and customer contact. These two factors, when taken together, leave the AFBMA membership in a position where its volume is declining and its production capability is, of necessity, being allowed to stagnate.

The threat of foreign imports to our industry is extremely serious. More to the point insofar as the TIC

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is concerned, is the threat to the U. S. defense effort. If this country's production capability for anti-friction bearings is lost (as is now happening), and if our defense effort becomes dependent on imported bearings (as is now happening), the entire defense capability of this country will become dependent upon producers located in Japan and Germany. In a very true sense, present policies are such that the United States is allowing itself, through inattention and oversight, to be placed in the same position that it tried, through military means, to place the Axis powers in 1940-45.

V. MEASUREMENT OF IMPORTS

At the present time, statistical measurement of imports of anti-friction bearings is by such broad categories as to be almost useless. With one or two major exceptions (to be subsequently discussed), the penetration of imports into this country's defense effort has been best gaged by known "lost business" to foreign competitors, reports from field salesmen, and occasional news releases relating to the opening of U. S. distribution points by foreign producers.

Present government regulations now call for bearing import data to be reported only in terms of their dollar value and the number of pounds of bearings. Such data is virtually worthless, since the value of any particular pound of bearings may range from \$3 to \$1,500. Government data does not permit the collection of material relating to the number of bearings now consumed in this country from overseas sources.

As an addendum to the brief filed by the AFBMA were two briefs recently presented by MPB Corporation, Keene, New Hampshire, to the Sub-Committee on Procurement Practices of the House Small Business Administration (March 13, and April 24, 1968). In these documents, by a fortunate set of circumstances, the miniature bearing segment of our industry has been able to demonstrate (by means of information taken from a Japanese manufacturer's new release) that imports from one producer account for virtually 50% of an important segment of the miniature market. We have no reason to believe that this pattern is not being duplicated by other Japanese manufacturers competing in other bearing product categories. Inspection of the MPB briefs will demonstrate that the miniature bearing segment of the industry alone is worthy of attention, and that its depletion will represent a threat to our national security.

In summary, we are in a position where the entire industry is faced with a serious threat which only in certain areas can be demonstrated to the government. A threat, nevertheless, exists; it is real, and will have far-reaching consequences.

VI. INDUSTRY CONCERN OVER IMPORTS

Our industry has become increasingly concerned since the late 1950's over the threat posed to itself, and to the country, by the rapid rise of imports. On many an occasion, the industry has found itself in the same position as the U. S. Government--lack of available data masks the magnitude of this threat. Indeed, the valid data contained in the MPB briefs represents the first break-through in obtaining an accurate measurement of foreign encroachment, albeit in only one segment of the industry.

As imports began to reach alarming proportions in late 1964, the AFBMA requested the Office of Emergency Planning to determine whether anti-friction bearings and parts were being imported to the United States under circumstances as to impair the national security (pursuant to Section 232 of the Trade Expansion Act of 1962).

This request to OEP was subsequently withdrawn in 1965 for the following reasons:

- (1) Neither the domestic industry nor the Office of Emergency Planning could obtain accurate and reliable import data. This particular government agency found itself in the same position as the industry.
- (2) The rapid Vietnam build-up placed the U. S. bearing industry in a position of peak capacity. At the time, it was felt that it would be inappropriate to request continued action on this request to OEP when domestic industry was demonstrably overstrained.

As subsequent events have demonstrated, the Vietnam build-up was a "God-send" to our foreign competitors. With this build-up, delivery of bearings became extremely important, and many domestic users were able to take advantage of the availability of Japanese, Swiss and German bearings. Government procure-

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ment practices—in which awards are generally made to the low bidder—also encouraged defense contractors to use imports. Furthermore, in a competitive situation, one contractor choosing to use such bearings would virtually force all of his competition to do likewise.

In this period just ended, foreign competition has gained a firm foothold in this country's defense establishment. The domestic industry is no longer operating at peak capacity and now finds itself in a position where it is unable to compete, by reason of low overseas labor costs, with foreign producers. Accordingly its capacity, which was strained to the utmost during the Vietnam build-up, is of necessity deteriorating to the point where it will be increasingly unable to respond to any future military build-up. It is a vicious circle!

The AFBMA would remind TIC at this point that while there are only 60,000 jobs at stake, that there are 200 million people in this country whose security in a very demonstrable sense is dependent upon our industry's well-being.

VII. EXISTING GOVERNMENT REGULATIONS

As we now understand existing government regulations, there are a few avenues which should, but do not, protect the anti-friction bearing industry.

- A. The Office of Emergency Planning. Our petition to the OEP, and its withdrawal, has been discussed. We note that only one petition to OEP has been successful (residual fuel oil). Prospects for affirmative action now do not appear particularly bright, especially since the same situation confronts the OEP in 1968 as it did in 1964, namely the lack of meaningful import data.
- B. The "Buy American Act." The wording of this act is such that the amount of American produced products required in any government contract is expressed in a percentage of the total cost of the finished item. Since anti-friction bearings generally constitute a minor percentage of the total cost, this vital product is, in effect, excluded from the Buy American Act. There is no legal restriction at the moment requiring a defense contractor to procure anti-friction bearings from U. S. producers.
- C. The Committee for the Statistical Annotation of Tariff Schedules. While the domestic bearing industry can see the increase in imports in the market place, it has been in a serious disadvantage because of the lack of statistics. Recognizing this, the AFBMA has petitioned the Committee to make meaningful breakouts of the data collected by the Bureau of Customs. The domestic industry is required to report to the U. S. Government its production by quantity, size and precision—why should not the importers have the same responsibility. It is only in this way that the true impact of imports can be measured.

In this regard, it is interesting to note that the U. S. Government attaches sufficient defense significance to the anti-friction bearing industry that the Business Defense Services Administration requires domestic producers to report in detail on their output. AFBMA submits that its detailed domestic output information is meaningless without information relating to either (1) the exact nature of bearing imports, or to (2) the bearing consumption of the U. S. defense establishment. It would only be through the use of this additional data that this country's reliance on imports could be accurately determined. (3) Senate Bill 2552 (sponsored by Senators Cotton and Ribicoff) is now in committee. This bill would provide for orderly trade in the various categories of anti-friction ball and roller bearings. It is doubtful that this bill would be workable in its present form because of the lack of import data (as requested from the Committee on Statistical Annotation of Tariff Schedules) upon which to base action.

In summary, the AFBMA believes this industry has exhausted all available administrative remedies in an effort to protect the United States as a nation against the serious impairment of the national security which is resulting from the depletion of the anti-friction bearing production capacity.

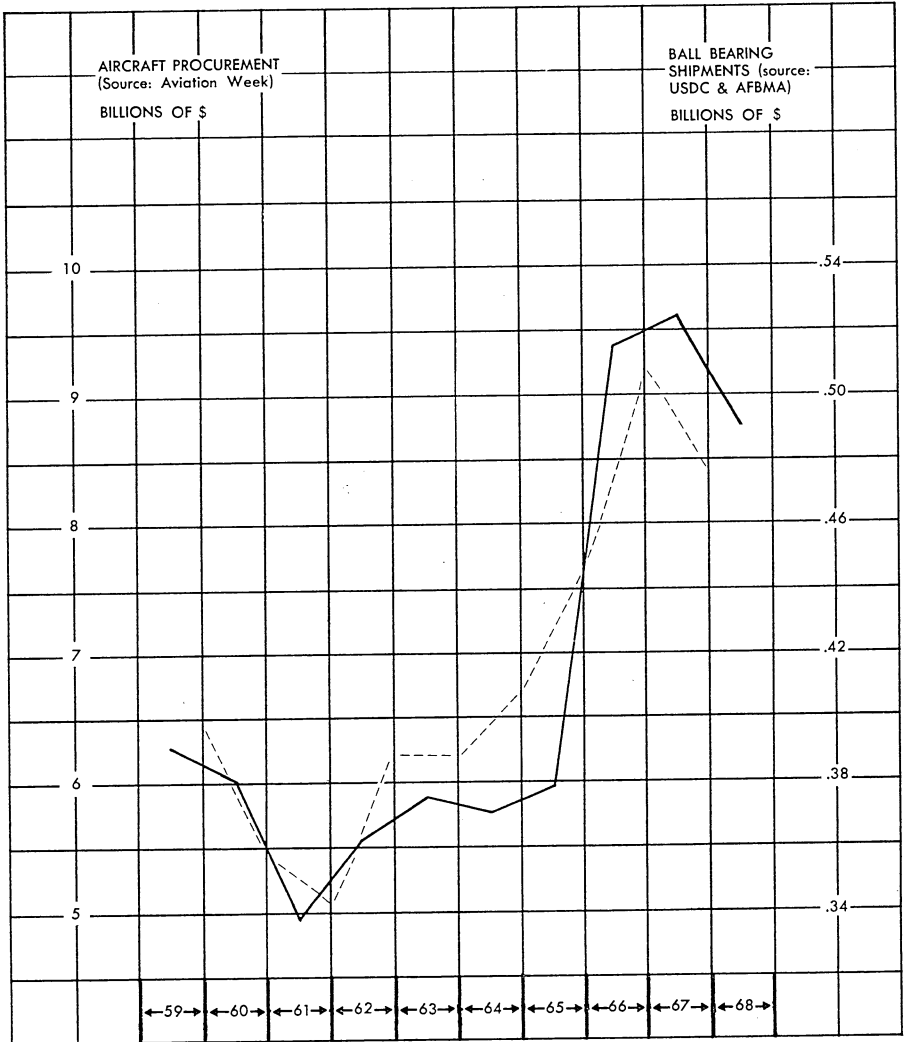
VIII. A POSITION ON FOREIGN TRADE

It is not the intent of this brief to discuss free trade versus protectionism, or to call for prohibitive tariffs or other import restrictions to protect a relatively small number of jobs.

MPB CORPORATION, KEENE, NEW HAMPSHIRE

It is the intent of this brief to suggest that future foreign trade policy take into account the critical nature of certain imported products and to insure that (1) sufficient safe-guards are taken to measure the effect of these imports on our defense establishment and (2) to provide some mechanism by which imports may be subsequently regulated, if--indeed--the magnitude of these imports threatens U. S. production capacity of critical items.

Again, we refer the reader to the MPB briefs to the Procurement Sub-Committee of the House Small Business Committee, in which this particular corporation has stated that if the present trend continues, its ability to respond to a national emergency would disappear within two to three years. We suggest that the same could be said of other segments of our industry if the true magnitude of present imports could be as accurately established.



APPENDIX C

THE SECRETARY OF COMMERCE,
Washington, D.C., December 6, 1966.

HON. FARRIS BRYANT,
Director, Office of Emergency Planning,
Washington, D.C.

DEAR GOVERNOR BRYANT: Thank you for your letter of November 8, 1966, asking for our reaction to allegations made by counsel to the Anti-Friction Bearing Manufacturers Association about the inadequacy of import statistics available for antifriction bearings.

The application by the Association for an investigation of imports stated that certain types of bearings were being imported in such quantities as to threaten to impair the national security. In our attempt to make a determination of the validity of the industry's claims, we were hampered by the lack of detailed import figures.

Most antifriction bearings are dutiable at 3.4 cents per pound and 15 percent ad valorem. It is therefore necessary only to have data on the weight and value of imports for tariff purposes, and this information has heretofore been adequate for industry and governmental statistical needs. We make every effort to have import, export, and Census of Manufacturers' figures for bearings, as well as other commodities, reported in such a manner as to provide comparability. Beyond that we cannot always anticipate the need for import information for specific sizes and types of the more than 5,000 categories in the Tariff Schedules, and the gathering of such data would create a heavy administrative burden of very questionable value. Procedures for spot checking of invoices or auditing of entry papers through the cooperation of the Tariff Commission, the Bureau of Customs, and the Bureau of the Census are available on an *ad hoc* basis when more detailed information is needed. In our investigation of bearing imports, however, we found that these procedures were not useful in assessing the impact of imports in the limited sizes and types under consideration.

In a matter such as this where the national security is involved, the seriousness of this lack of information cannot be overlooked. The Committee for Statistical Annotation of Tariff Schedules at the Tariff Commission has overall responsibility for reviewing statistical data and making changes when justified, upon application by interested parties. The Anti-Friction Bearing Manufacturers Association has made such application, and I understand that the Committee is studying the need for changes in the bearing classifications, as well as the feasibility of implementing any changes. Members of the responsible industry division in the Business and Defense Services Administration are working with the Committee, and I hope that a suitable solution can be found so that more meaningful data can be provided for future use.

Sincerely yours,

JOHN T. CONNOR,
Secretary of Commerce.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF THE DIRECTOR,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., February 14, 1968.

HON. ALEXANDER B. TROWBRIDGE,
Secretary of Commerce,
Washington, D.C.

DEAR MR. SECRETARY: On November 8, 1966, former Director of the Office of Emergency Planning Farris Bryant, wrote to the Secretary of Commerce, Honorable John T. Connor, regarding allegations made by the antifriction bearing industry of the inadequate and virtually useless current statistical data on imports of bearings. Mr. Bryant asked for the Department's reaction to such allegations.

On December 6, 1966, the Secretary replied that the Committee for Statistical Annotation of Tariff Schedules, which has the overall responsibility for reviewing statistical data and making changes when justified, is studying the need for changes in the bearing classifications, as well as the feasibility of implementing any changes. The Secretary added that staff members of the Department of

Commerce are working with the Committee, and that he hoped a suitable solution could be found so that more meaningful data can be provided for future use.

We have since been informed by Senator Morris Cotton of New Hampshire that on November 9, 1967 the Committee rejected the request, in the main, on the grounds that collection of detailed data would be difficult to administer and excessively burdensome to all parties concerned. The Senator's letter was prompted by complaints from the miniature precision bearings industry which alleged excessive imports of their products and requested, among other things, that the Committee's decision be reversed. More accurate import data, it is alleged, are necessary in order that the magnitude of the imports could be determined and the future impact of such imports on the industry more accurately evaluated.

It will be appreciated if you would take another look at the situation and advise as to what can be done in the matter of collecting more meaningful ball bearing import data. I understand that data on roller bearings, along the lines requested by the industry, will be collected.

I am sending a copy of this letter to Senator Cotton. You may, if you wish, communicate directly with the Senator or write to us.

Sincerely,

PRICE DANIEL, *Director.*

THE SECRETARY OF COMMERCE,
Washington, D.C., March 18, 1968.

HON. PRICE DANIEL,
*Director, Office of Emergency Planning,
Washington, D.C.*

DEAR GOVERNOR DANIEL: This is in response to your letter of February 14 to Secretary Trowbridge discussing the problem of the availability of statistical data on the importation of antifriction bearings. Members of this Department have had, and are continuing to have, discussions with the Chairman of the Committee for Statistical Annotation of Tariff Schedules in an attempt to resolve this problem. These discussions have stressed the importance of timely, accurate, and meaningful data which can be used to monitor the impact of imports and, we feel, the Committee stands ready to provide all reasonable assistance.

In order to obtain more meaningful data, the Bearing Industry applied to the Committee for Statistical Annotation of Tariff Schedules for nine breakouts of ball bearings and four breakouts for roller bearings. Roller bearing invoices traditionally carry descriptions similar to those requested by the industry and it was therefore possible for the Committee to provide for three breakouts in this area.

The request for ball bearings, however, was for breakouts by size and by degree and precision. In a letter to the Bearing Association's counsel denying this request, the Committee cited the Customs Bureau's concern that breakouts based on the dimensions of the outside diameter would be "Administratively burdensome to all parties concerned." The letter states further, "according to the Bureau, there are approximately 10,000 bearing numbers in existence and to require the importers and the staff of the Bureau of Customs to supply such statistical information would be a tedious undertaking." The letter states also that, "positive verification of a quality of bearing cannot be determined except by laboratory analysis. The Bureau cites the fact that more than 98% of ball and roller bearings are of ABEC 1 (Annular Bearing Engineering Committee Standard) quality or its equivalent. Since all roller and ball bearings have always been invoiced under the manufacturers' code numbers, an extensive educational campaign would be necessary to revise long-standing invoicing practices."

In spite of the difficulties that are involved, we believe that in the interest of national defense the required data on ball bearings imports as described below should be made available. Studies made by this Department of the imports of antifriction bearings have shown that no practical method is presently available by which the impact of imports in various segments of the industry can be monitored. It is possible that the increased imports of ball bearings are concentrated in critical sizes and types of bearings as has been alleged by the industry. This concentration could lead to a loss of markets which would cause production capacity to be reduced and create a gap in our ability to meet future defense needs.

We understand that the Committee would consider a request for breakouts of sizes of ball bearings if the degree of precision were not included. Accordingly,

we propose to request five breakouts by size which would reveal the trade in miniature bearings, larger size bearings for instrument use, common automotive sizes, larger industrial bearings, and parts. These data would pinpoint the areas of concentration of imports. If, after an experimental period, it is found that certain categories bear the brunt of the trade, we will request the Committee to modify the TSUSA in order to make available precision detail.

We recognize that some members of the Bearing Industry do not consider size breakouts as an adequate substitute for a measure of precision in imports of ball bearings. We agree with the industry, but feel that size designation would represent a significant step forward in isolating ball bearing import trouble spots.

We will keep you informed of our progress on this matter.

Sincerely yours,

C. R. SMITH,
Secretary of Commerce.

Mr. BURKE. Thank you. Are there any questions?

Thank you, Mr. Shallow.

Mr. SHALLOW. Thank you.

(The following statements were received for the record, by the committee:)

STATEMENT OF GEORGE P. BYRNE, JR., SECRETARY AND LEGAL COUNSEL, U.S. CAP SCREW SERVICE BUREAU; U.S. WOOD SCREW SERVICE BUREAU; U.S. MACHINE SCREW SERVICE BUREAU; TAPPING SCREW SERVICE BUREAU; SOCKET SCREW PRODUCTS BUREAU; TUBULAR AND SPLIT RIVET COUNCIL; AIRCRAFT LOCKNUT MANUFACTURERS ASSOCIATION; BRIGHT WIRE GOODS MANUFACTURERS SERVICE BUREAU

THREATENED ANNIHILATION OF DOMESTIC SCREW MANUFACTURING INDUSTRY

This appeal for legislative aid in the form of a quota on imports of screws and fasteners of various types, including wood screws, machine screws, cap screws, socket screws, tubular and split rivets, locknuts, bright wire goods and other threaded and non-threaded fasteners is made on behalf of the domestic manufacturers of those products whose names and addresses appear in the lists appended to this statement and whose businesses are being progressively weakened by low-wage cost imports. This attrition by imports has, since 1954, increased to a point where imports now threaten to completely annihilate the domestic Wood Screw Industry and are beginning to seriously undermine other segments of the Screw, Nut and Rivet Industry.

A glaring example of this attrition by imports is the case of Wood Screws. Although the imports of Wood Screws were very small in all periods prior to mid-1950, in the second half of 1950 imports averaged 737,000 gross per quarter and then rose to 1,451,000 gross per quarter in the first half of 1951. After the tariff had been further reduced from 15% to 12½% ad valorem, pursuant to the trade agreement concession effective June 6, 1951, imports reached a record peak of 1,776,000 gross in the third quarter of that year. Beginning early in 1955, wood screw imports again surged to new highs and continued on the uptrend until today wood screw imports are averaging more than 50 percent of the U.S. market. In other words, more than half of the U.S. market has been taken over by imported wood screws.

The above statements are substantiated by the following data attached to this statement:

Chart showing annual trend of "Imports of Wood Screws into U.S.A." (1928-1968)

Table showing percent of USA market obtained by U.S. Manufacturers and Imports (1928-1968)

IMPORTS OF OTHER FASTENERS FOLLOWING SAME UPWARD TREND

The fact that imports of stove bolts, cap screws, nuts, washers and rivets are increasing at an alarming degree and are following the same upward trend of wood screws is shown on the tables attached hereto captioned "Import Statistics of Screws, Bolts, Nuts and Rivets", which data is based on figures from the

New York Custom House, U.S. Bureau of Census, U.S. Department of Commerce, Washington, D.C., which dates from September 1963. A glance down the column headed "Valuation", under the column headed "Annual Total Imports—Monthly Average Rates" will clearly substantiate the statement that imports of all of the threaded and unthreaded industrial products listed are rising at an alarming degree.

EFFECTS OF LOW IMPORT DUTIES

Despite evidence of a rise in the trend of imports and over the vigorous protests of U.S. producers, the U.S. import duty rates on Wood Screws were lowered in 1951 from 15% ad valorem to 12½% ad valorem. After that, imports rose steadily and more rapidly to a point where they have taken, as indicated above, more than 50 percent of the Wood Screw market.

In the case of other items in the screw, nut, bolt and rivet line, U.S. import duty rates were slashed 50 percent at the close of the Kennedy Round GATT negotiations in June 1967. Since then, as in the case of wood screws, imports of those other items in the threaded and non-threaded fastener line have increased substantially.

INJURY FROM IMPORTS TWO-FOLD

The rising flood of wood screws entering the U.S.A. has already resulted in the closing of a number of Wood Screw manufacturing plants and substantial loss of jobs by American employees. Evidence of this is shown in the decrease in the number of wood screw manufacturing plants operating in 1956 totaling about 16, as compared with approximately 10 wood screw manufacturing plants actively producing wood screws today.

IMPORTERS TARGET: "THE HEART OF THE LINE"

In their gradual "take-over" of the American screw market, foreign producers have chosen the "heart of the line" sizes and types of Wood Screws, Cap Screws, Socket Screws, Rivets, etc. having gained a strong foothold from coast to coast in the U.S. Importers now have large warehouses established in key American cities well stocked with all sizes and types of screws, rivets, washers, bolts, nuts, etc. for which there is a great demand. The sub-standard and little used items are left for the U.S. manufacturer to supply.

UNFAIR COMPETITIVE ADVANTAGE OF IMPORTERS

One of the reasons why foreign producers of screws, and other threaded and non-threaded industrial fastener items have been able to gain a strong grip on the American market is the unfair advantage over the American manufacturers they enjoy in the matter of labor costs, while, as indicated in the attached Table marked "Table D", average hourly earnings in the domestic screw industry are running in the neighborhood of \$3.10 per hour, not including fringe benefits approximating \$1.00 per hour. Japanese wood screw producing plants are paying only about 54 cents per for wages, plus fringe benefits, as indicated in the attached report of the Trade Relations Council marked "Table E". The wage rates of foreign countries, including Japan and Hong Kong, enable foreign producers to sell screws in the U.S. up to 60 percent below the prices which American screw producers can market their products at a profit.

JAPAN AND HONG KONG LARGE EXPORTERS TO U.S.

Based upon a special analysis of Wood Screw importations coming into the U.S. (See Table "F"), showing percent of U.S.A. market obtained by imports, Japan is by far the largest exporter of wood screws to the U.S., with Hong Kong ranking second and the United Kingdom third. Iron curtain countries, such as Poland, Yugoslavia and Austria, are now beginning to export wood screws to the U.S. Screws of other types, including cap screws, machine screws, socket screws, etc. from Japan are also beginning to enter the U.S. in substantial quantities.

PREVIOUS APPLICATIONS FOR RELIEF OF NO AVAIL

Three previous applications for relief under the Tariff Act of 1930 "escape clause" providing for relief from serious injury due to imports have been filed with the U.S. Tariff Commission on behalf of domestic wood screw manufac-

turers by the U.S. Wood Screw Service Bureau. Two of these were denied by the Commission and in the third Tariff Commission investigation instigated on February 25, 1954, three members of the Commission recommended to the President an absolute quota of 2,800,000 gross and three members opposed relief to the industry. The President in a statement, dated December 23, 1954, denied relief of any kind to the domestic wood screw industry. Subsequently, other appeals to the Tariff Commission for relief on behalf of the Wood Screw Industry were made, but the last one was withdrawn when it was found that because of the attitude of the Administration, few, if any, such applications for relief were being granted.

ABSOLUTE QUOTA THE ONLY SOLUTION

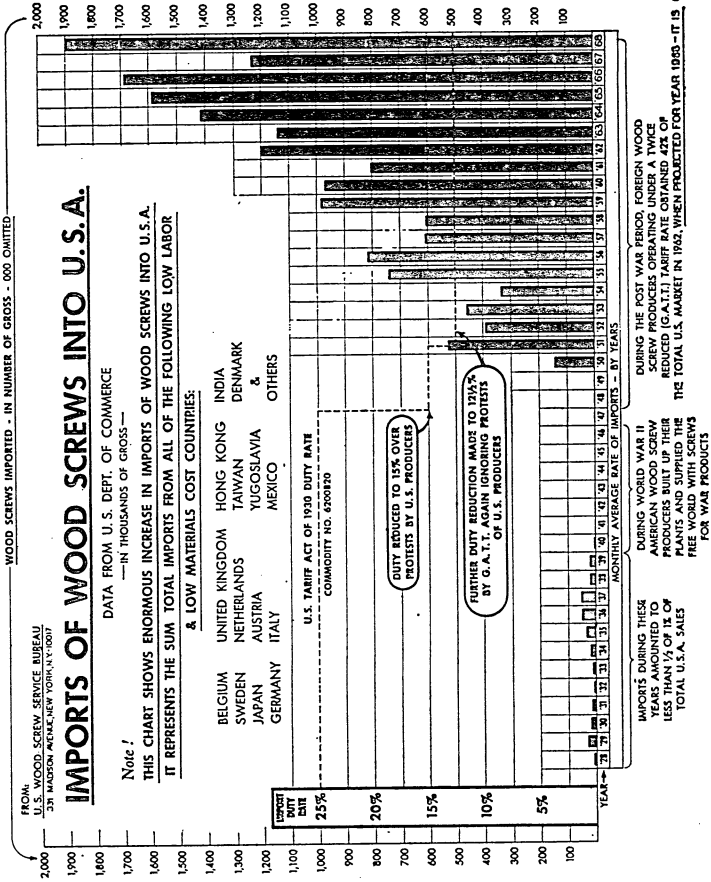
In view of all the circumstances and conditions outlined above, and because of the serious inroads and the domestic screw, nut and rivet industry by low-wage cost imports now in progress, the domestic screw manufacturers are convinced that the only logical remedy for this critical situation is the placing of an absolute quota on screws, nuts, rivets, washers, etc. entering the U.S.A. We, therefore, respectfully and urgently appeal to the Committee on Ways and Means of the House of Representatives to support the enactment of H.R. 16936 and similar bills which would provide for a quota on imports of such products and give adequate protection to domestic manufacturers and prevent further loss of jobs of American citizens.

TABLE D.—WAGE DATA FOR 1ST QUARTER 1968—TOTAL FACTORY WORKERS IN DOMESTIC SCREW MANUFACTURING INDUSTRY

Area and company key number	Average clock hours worked per employee	Average hourly earnings per employee on payroll		Gross weekly pay before taxes and other deductions
		Straight time	Gross earnings	
Connecticut and eastern area:				
5.....	44.1	2.196	2.360	103.99
6.....	48.4	2.385	2.615	126.50
7.....	46.2	2.379	2.559	118.19
9.....	41.6	2.515	2.645	110.05
10.....	41.8	2.702	2.781	116.12
12.....	40.2	2.379	2.434	97.75
14.....	37.8	3.235	3.399	128.34
15.....	45.0	2.707	2.908	131.05
17.....	46.0	1.922	2.496	114.81
19.....	45.1	2.565	2.749	123.95
Average.....	43.3	2.467	2.627	113.73
Cleveland and Detroit area:				
30.....	39.8	2.609	2.647	105.38
31.....	48.4	2.785	3.128	151.49
34.....	47.5	3.788	4.116	195.63
36.....	39.1	3.027	3.159	123.42
37.....	39.8	2.920	3.312	132.06
40.....	48.3	2.491	2.761	133.34
Average.....	41.8	2.945	3.169	132.47
Chicago and western area:				
50.....	45.4	2.839	3.242	147.28
51.....	42.2	2.990	3.355	141.51
53.....	49.4	2.752	3.189	157.57
54.....	40.3	3.147	3.258	131.35
55.....	45.3	2.648	2.882	130.69
57.....	42.2	3.015	3.454	165.83
58.....	47.5	3.135	3.586	170.16
61.....	38.4	2.779	2.785	106.94
62.....	44.4	2.731	2.979	132.42
Average.....	45.5	2.895	3.255	148.09
Total, U.S. average.....	44.6	2.799	3.099	138.10

DOMESTIC WOOD SCREW MANUFACTURERS NEED AN IMPORT QUOTA NOW IN ORDER TO SURVIVE!

MORE FACTORY CLOSINGS AND EMPLOYEE LAYOFFS IMMINENT!



U. S. WOOD SCREW SERVICE BUREAU
Industry Service Bureaus, Inc.
 (Administrative Staff)
 George P. Byrne, Jr., Secretary
 331 Madison Avenue
 New York, N. Y. 10017

TOTAL WOOD SCREW MARKET IN U.S.A. - IN GROSS

ANALYSIS SHOWING PERCENT OF MARKET OBTAINED BY

U. S. MANUFACTURERS' AND IMPORTS

YEAR	ANNUAL MONTHLY AVERAGE RATE BASIS				(100.00%) U.S. MARKET TOTAL-DOMESTIC & IMPORTS COMBINED (gross)
	U.S. PRODUCERS' DOMESTIC SHIPMENTS (gross)	% OF U.S.A. MARKET	TOTAL IMPORTS COMING INTO U.S.A. (gross)	% OF U.S.A. MARKET	
1928	4,900,829	99.84	7,879	.16	4,908,708
1929	4,740,092	99.39	29,204	.61	4,769,296
1930	3,038,209	99.42	17,596	.58	3,055,805
1931	2,339,854	99.45	12,923	.55	2,352,777
1932	1,627,570	99.67	5,342	.33	1,632,912
1933	2,303,708	99.54	10,671	.46	2,314,379
1934	2,277,835	99.37	14,491	.63	2,292,326
1935	2,891,017	99.07	27,155	.93	2,918,172
1936	3,031,882	98.58	43,852	1.42	3,075,734
1937	2,654,333	98.20	48,782	1.80	2,703,115
1938	1,936,490	99.29	13,918	.71	1,950,408
1939	2,621,773	99.54	12,042	.46	2,633,815
1940	2,668,931	99.92	2,229	.08	2,671,160
1941	4,351,851	100.00	11	--	4,351,862
1942	3,812,598	100.00	-	--	3,812,598
1943	3,791,818	100.00	-	--	3,791,818
1944	3,247,862	100.00	-	--	3,247,862
1945	3,199,669	100.00	5	--	3,199,674
1946	3,936,848	100.00	41	--	3,936,889
1947	4,210,695	100.00	156	--	4,210,851
1948	3,637,110	100.00	57	--	3,637,167
1949	2,628,030	99.97	776	.03	2,628,806
1950	4,239,436	96.66	146,689	3.34	4,386,125
1951	4,365,027	89.21	528,214	10.79	4,893,241
1952	3,301,706	89.33	394,448	10.67	3,696,154
1953	3,578,088	88.61	460,141	11.39	4,038,229
1954	3,362,306	90.89	336,896	9.11	3,699,202
1955	3,147,195	80.88	744,026	19.12	3,891,221
1956	2,807,322	77.47	816,558	22.53	3,623,880
1957	2,408,141	79.91	605,489	20.09	3,013,630
1958	2,201,109	78.47	603,836	21.53	2,804,945
1959	2,454,731	71.35	985,537	28.65	3,440,268
1960	1,922,138	66.41	972,422	33.59	2,894,560
1961	1,930,188	70.57	804,826	29.43	2,735,014
1962	1,637,345	57.74	1,198,476	42.26	2,835,821
1963	1,419,717	55.33	1,146,422	44.67	2,566,139
1964	1,428,761	50.32	1,410,828	49.68	2,839,589
1965	1,489,656	48.34	1,592,144	51.66	3,081,800
1966	1,408,809	45.46	1,690,476	54.54	3,099,285
1967	1,271,691	50.79	1,232,069	49.21	2,503,760
1968	1,229,290	39.28	1,900,000	60.72	3,129,290

1968 AS PROJECTED TO ANNUAL RATE BASIS

FROM:
GEORGE P. BYRNE, JR.
331 MADISON AVENUE
NEW YORK, NY.

[illegible]

(1) = 0.000000 (1) = 0.000000

IMPORT STATISTICS OF SCREWS, NUTS, BOLTS & RIVETS

NEW YORK CUSTOM HOUSE OFFICE - BUREAU OF COMMERCE - U.S. DEPT. OF COMMERCE - WASHINGTON, D.C.
NEW STATISTICAL SERIES - COMMENCING SEPT. 1953FROM:
GEORGE P. BYRNE, JR.
337 WEST 42ND STREET
NEW YORK, N.Y.

REF.	1950 TARIFF PRODUCT DESCRIPTION	DUTY RATE PERCENT N TARIFF PERCENT	ANNUAL TOTAL IMPORTS 1950-1952	MONTHLY TOTAL IMPORTATIONS											
				1950			1951			1952			1953		
				NO.	VALUATION	PRICE	NO.	VALUATION	PRICE	NO.	VALUATION	PRICE	NO.	VALUATION	PRICE
M	BOLTS, NUTS, SCREWS & WASH- ERS OF IRON OR STEEL - IN POUNDS (including bolts & their nuts in- cluded in the same shipment)	PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
N	SPIRAL & OTHER LOCK WASHERS OF IRON OR STEEL - IN POUNDS (444,400)	PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
O	WASHERS, OTHER OF IRON OR STEEL - IN POUNDS (444,000)	PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
P	RIVETS OF BASE METAL OR IRON OR STEEL (not bright-annealed or lathes, in the rounds) (444,000)	PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
Q	RIVETS, OTHER OF BASE METAL - IN POUNDS (444,100)	PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
Z	GRAND TOTAL IMPORTS COMBINED DOLLAR VALUATION FOR ALL ITEMS - A TO Q	PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950
		PER 100 LBS.	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953	1950

TABLE E.—AVERAGE HOURLY EARNINGS, INCLUDING FRINGE BENEFITS, IN MANUFACTURING IN THE UNITED STATES AND 12 FOREIGN COUNTRIES¹

[Production workers, male and female, unless otherwise noted]

Country	Earnings	Supplemental benefits as percent of earnings	Earnings plus fringe benefits
United States.....	\$2.65	16	\$3.06
Canada.....	1.98	16	2.30
Austria.....	.54	60	.86
Belgium.....	.85	31	1.11
France.....	1.61	51	.92
Italy.....	.64	74	1.11
Netherlands.....	1.70	30	.91
Norway ¹	1.36	31	1.78
Sweden.....	1.52	15	1.75
Switzerland ¹	1.11	15	1.28
West Germany.....	1.02	44	1.47
United Kingdom ¹	1.17	14	1.33
Japan.....	.47	15	.54

¹ Source: Trade Relations Council.

TABLE F.—COUNTRIES IMPORTING WOOD SCREWS DURING YEARS 1964, 1965, AND 1966 WITH PERCENTAGE OBTAINED BY EACH COUNTRY OF THE TOTAL U.S. MARKET

	Annual total comparison basis in number of gross					
	Year 1964	Percent	Year 1965	Percent	Year 1966	Percent
(A) Total U.S. market (domestic and imports).....	34,075,074	100.00	36,981,603	100.00	37,191,423	100.00
(B) Domestic manufacturers, shipments.....	17,145,138	50.32	17,875,872	48.34	16,905,708	45.46
1. Imports into the United States.....	16,929,936	49.68	19,105,731	51.66	20,285,715	54.54
By countries:						
(Ref.)						
2. Japan.....	12,083,906	35.46	12,163,369	32.89	11,464,993	30.83
3. Hong Kong.....	1,879,003	5.52	3,367,709	9.11	5,231,705	14.07
4. Belgium.....	512,867	1.51	325,072	.88	413,771	1.11
5. Canada.....	201,090	.59	209,271	.57	228,212	.62
6. Sweden.....	522,708	1.53	456,955	1.24	411,434	1.10
7. Germany.....	83,454	.25	26,655	.07	56,793	.15
8. United Kingdom.....	842,913	2.47	391,042	1.06	41,138	.11
9. India.....	2,778	.01	269,305	.73	622,294	1.67
10. Italy.....	3,911	.01	36,702	.10	30,689	.08
11. Austria.....	2,373	.01	3,919	.01	7,003	.02
12. Netherlands.....	None	—	None	—	None	—
13. Taiwan.....	498,746	1.46	798,402	2.16	1,182,069	3.17
14. Portugal.....	None	—	451,687	1.22	206,769	.56
15. Israel.....	156,245	.46	159,243	.43	206,593	.56
16. Yugoslavia.....	43,530	.13	39,450	.10	46,846	.13
17. Switzerland.....	200	—	701	—	1,225	—
18. France.....	14,069	.04	520	—	None	—
19. Denmark.....	993	—	7,356	.02	1,440	—
20. Poland.....	4,505	.01	397,366	1.07	29,809	.08
21. Mexico.....	52,256	.15	None	—	47,675	.13
22. Hungary.....	None	—	None	—	31,632	.09
23. Argentina.....	None	—	None	—	None	—
24. Outer Mongolia.....	24,479	.07	None	—	None	—
25. Korean Republic.....	None	—	1,007	—	None	—
26. Cyprus.....	None	—	None	—	23,625	.06
Total imports.....	16,929,936	49.68	19,105,731	51.66	20,285,715	54.54

Source: U.S. Department of Commerce statistics.

APPENDIX "A"

MANUFACTURERS OF AIRCRAFT LOCKNUTS

Boots Aircraft Nut Division
 Townsend Co.
 Newton Turnpike
 Norwalk, Conn.
 Elastic Stop Nut Corp.
 of America
 2330 Vauxhall Road
 Union, N.J.

Kaynar Mfg. Co., Inc.
 Box 3001
 Fullerton, Calif.
 VSI Corporation
 739 East Walnut Street
 Pasadena, Calif.

MANUFACTURERS OF BRIGHT WIRE GOODS

Androck, Inc.
 28 Union Street
 Worcester, Mass.
 M. S. Brooks & Sons, Inc.
 Chester, Conn.
 The Gerwin Corp.
 Michigan City, Ind.
 Hindley Mfg. Co.
 9 Haven Street
 Cumberland, R.I.

Chas. O. Larson Co.
 P.O. Box E
 Sterling, Ill.
 Lawrence Brothers
 Sterling, Ill.
 Merrill Mfg. Corp.
 106 Genesee St.
 Merrill, Wisc.

MANUFACTURERS OF CAP SCREWS

Allied Products Corp. Div.
 Wolverine Bolt Co.
 9685 Grinnell Avenue
 Detroit, Mich.
 The American Screw Products Co.
 5185 Richmond Rd.
 Bedford Heights, Ohio
 E. W. Ferry Screw Products, Inc.
 5240 Smith Road
 Cleveland, Ohio
 Ferry Cap & Set Screw Co.
 2151 Scranton Road
 Cleveland, Ohio
 The H. M. Harper Co.
 6200 Lehigh Avenue
 Morton Grove, Ill.
 Kerr-Lakeside Industries, Inc.
 26841 Tungsten Rd.
 Cleveland, Ohio
 L-T Products Co.
 7903 Madison Avenue
 Cleveland, Ohio
 Lake Erie Screw Corp.
 13001 Athens Avenue
 Cleveland, Ohio

The Lamson & Sessions Co.
 5000 Tiedeman Rd.
 Cleveland, Ohio.
 National Lock Co.
 1902 7th Street
 Rockford, Ill.
 National Screw & Mfg. Co.
 2440 East 75th Street
 Cleveland, Ohio
 The Wm. H. Ottemiller Co.
 Pattison St. & M. & P.R.R.
 York, Pa.
 Pheoll Mfg. Co. Division
 Allied Products Corporation
 5700 Roosevelt Road
 Chicago, Ill.
 Reed & Prince Mfg. Co.
 1 Duncan Avenue
 Worcester, Mass.
 Stanscrew Fasteners
 2701 Washington Blvd.
 Bellwood, Ill.
 United Screw & Bolt Corp.
 5800 Denison Avenue
 Cleveland, Ohio

MANUFACTURERS OF MACHINE SCREWS

Anchor Fasteners
Div. of Buell Ind., Inc.
Box 2029
Waterbury, Conn.
The Blake & Johnson Co.
1495 Thomaston Avenue
Waterville, Conn.
Camcar Screw & Mfg.
A Textron Division
600 18th Avenue
Rockford, Ill.
Central Screw Co.
600 S. Michigan Avenue
Chicago, Ill.
Continental Screw Co.
459 Mt. Pleasant Street
New Bedford, Mass.
Elco Tool & Screw Corp.
1111 Samuelson Road
Rockford, Ill.
Everlock Chicago, Inc.
Sub. of Republic Indus. Corp.
27244 Southfield Rd.
Lathrup Village
Detroit, Mich.
Great Lakes Screw Corp.
13631-51 S. Halstead St.
Chicago, Ill.
H. M. Harper Co.
8200 Lehigh Avenue
Morton Grove, Ill.
Harvey Hubbell, Inc.
State & Boswick Aves.
Bridgeport, Conn.
Illinois Tool Works, Inc.
8501 W. Higgins Rd.
Chicago, Ill.

International Screw Co.
9444 Roselawn Avenue
Detroit, Mich.
Midland Screw Corp.
3129 W. 36th Street
Chicago, Ill.
National Lock Co.
1902 Seventh Street
Rockford, Ill.
The National Screw & Mfg. Co.
2440 E. 75th Street
Cleveland, Ohio
Allied Products Corp.
Pheoll Mfg. Co. Division
5700 Roosevelt Road
Chicago, Ill.
Pioneer Screw & Nut Co.
2700 York Road
Elk Grove, Ill.
Reed & Prince Mfg. Co.
1 Duncan Avenue
Worcester, Mass.
Screw and Bolt Corp. of America
Southington Plant
Drawer 271
Southington, Conn.
Southern Screw Co.
Box 68
Statesville, N.C.
United Screw & Bolt Corp.
2513 W. Cullerton Street
Chicago, Ill.
Universal Screw Co.
MSL Industries-Fastener Group
11000 Seymour Avenue
Franklin Park, Ill.

MANUFACTURERS OF MACHINE SCREW NUTS

Central Screw Co.
600 S. Michigan Avenue
Chicago, Ill.
Continental Screw Co.
459 Mt. Pleasant Street
New Bedford, Mass.
Elco Tool & Screw Corp.
1111 Samuelson Road
Rockford, Ill.
National Screw & Mfg. Co.
2440 East 75th Street
Cleveland, Ohio

Pheoll Mfg. Co. Division
Allied Products Corp.
5700 Roosevelt Road
Chicago, Ill.
Reed & Prince Mfg. Co.
1 Duncan Avenue
Worcester, Mass.
Southern Screw Company
Box 68
Statesville, N.C.
United Screw & Bolt Corp.
2513 W. Cullerton St.
Chicago, Ill.

MANUFACTURERS OF SOCKET SCREW PRODUCTS

Allen Mfg. Co.
P.O. Drawer 570
Hartford, Conn.
American Chain & Cable Co., Inc.
Bristol Socket Screw Division
P.O. Box 1790
Waterbury, Conn.
Holo-Krome Co.
P.O. Box 98, Elmwood Branch
Hartford, Conn.
Kerr-Lakeside Industries, Inc.
26841 Tungsten Road
Cleveland, Ohio
Mac-it Parts Co.
Lancaster, Pa.
George W. Moore, Inc.
100 Beaver Street
Waltham, Mass.

Rockford Screw Products Co.
707 Harrison Avenue
Rockford, Ill.
Safety Socket Screw Corp.
6501 N. Avondale Avenue
Chicago, Ill.
Set Screw & Mfg. Co.
Bartlett, Ill.
Standard Pressed Steel Co.
Jenkintown, Pa.
Stanscrew Fasteners
2701 Washington Blvd.
Bellwood, Ill.
Teale Machine Co.
P.O. Box 936
Rochester, N.Y.

MANUFACTURERS OF SELF-TAPPING SCREWS

Anchor Fasteners
Div. of Buell Ind., Inc.
Box 2029
Waterbury, Conn.
Camcar Screw & Mfg.
A Textron Division
600 18th Avenue
Rockford, Ill.
Central Screw Co.
600 S. Michigan Avenue
Chicago, Ill.
Continental Screw Co.
459 Mt. Pleasant Street
New Bedford, Mass.
Eaton Yales & Towne, Inc.
Reliance Division
25 Charles Ave., S.E.
Massillon, Ohio
Elco Tool & Screw Corp.
1111 Samuelson Road
Rockford, Ill.
E. W. Ferry Screw Products Co., Inc.
5240 Smith Road
Cleveland, Ohio
Great Lakes Screw Corp.
13631-51 Halsted Street
Chicago, Ill.
Harvey Hubbell, Inc.
State & Bostwick Aves.
Bridgeport, Conn.
Illinois Tool Works, Inc.
8501 W. Higgins Rd.
Chicago, Ill.

Midland Screw Corp.
3129 West 36th Street
Chicago, Ill.
National Lock Co.
1902 Seventh Street
Rockford, Ill.
The National Screw & Mfg. Co.
2440 East 75th Street
Cleveland, Ohio
Allied Products Corp.
Pheoll Mfg. Co. Division
5700 Roosevelt Road
Chicago, Ill.
Pioneer Screw & Nut Co.
2700 York Rd.
Elk Grove, Ill.
Reed & Prince Mfg. Co.
1 Duncan Avenue
Worcester, Mass.
Screw & Bolt Corp. of America
Southington Plant
Drawer 271
Southington, Conn.
Southern Screw Co.
Box 68
Statesville, N.C.
United Screw & Bolt Corp.
2513 W. Cullerton Street
Chicago, Ill.
Universal Screw Co.
MSL Industries Fastener Group
11000 Seymour Avenue
Franklin Park, Ill.

MANUFACTURERS OF TUBULAR AND SPLIT RIVETS

Aluminum Company of America
Fruitville Pike
Lancaster, Pa.

American Rivet Company, Inc.
11330 W. Melrose Street
Franklin Park, Ill.

Chicago Rivet & Machine Co.
950 S. 25th Avenue
Bellwood, Ill.

Miami Rivet Co.
500 W. 84th Street
Hialeah, Fla.

Milford Rivet & Machine Co.
857 Bridgeport Avenue
Milford, Conn.

National Rivet & Mfg. Co.
1-21 E. Jefferson St.
Waupun, Wis.

J. L. Thomson Rivet & Machine Co.
P. O. Drawer 149
Waltham, Mass.

Townsend Co.
Box 370
Beaver Falls, Penn.

Trojan Rivet Co.
1833 Dana Street
Glendale, Calif.

Tubular Rivet & Stud
Division of Townsend Co.
530 West Street
Braintree, Mass.

MANUFACTURERS OF WOOD SCREWS

Continental Screw Co.
459 Mt. Pleasant St.
New Bedford, Mass.

Elco Tool & Screw Corp.
1111 Samuelson Road
Rockford, Ill.

National Lock Co.
1902 7th Street
Rockford, Ill.

The National Screw & Mfg. Co.
2440 East 75th Street
Cleveland, Ohio.

Reed & Prince Mfg. Co.
1 Duncan Avenue
Worcester, Mass.

Southern Screw Co.
Box 68
Statesville, N.C.

Whitney Screw Corp.
Nashua, N.H.

STATEMENT OF J. E. COOPER, PRESIDENT, R. E. LAMBERT, CHAIRMAN, COMMITTEE ON GOVERNMENT RELATIONS, L. E. STYBR, EXECUTIVE DIRECTOR, AMERICAN SPROCKET CHAIN MANUFACTURERS ASSOCIATION

This statement is submitted by the American Sprocket Chain Manufacturers Association in response to the Committee's invitation to submit written comments on the United States' balance of trade problems and related matters. We wish, first, to bring to the Committee's attention the serious problem our industry is faced with as a result of increasing imports of sprocket chain and, second, to urged adoption of remedial legislation. We support, in addition to the possible legislative establishment of import quotas, modernization and improvement of our anti-dumping standards and procedures. In this connection, we oppose, and urge that Congress repudiate, the so-called "International Anti-dumping Code," as well as the Treasury Department's new Antidumping Regulations.

The American Sprocket Chain Manufacturers Association is a voluntary non-profit association whose twelve member companies operate productive facilities in Connecticut, Illinois, Indiana, Massachusetts, New York, North Carolina, Ohio, Pennsylvania, Tennessee and Wisconsin. These companies account for substantially all the United States production of sprocket chain—chain used in a wide variety of industrial and other applications for conveying or for the transmission of power. The principal categories of sprocket chain are roller chain, malleable chain, engineering class chain and silent chain.

I. INJURIOUS COMPETITION FROM ABROAD

1. *Import increases.*—Sprocket chain imported into the United States, other than chain classified as a component of some particular type of machine or device (such as agricultural machinery), is classified under one of three TSUS classifications—TSUS 652.12 (chain for the transmission of power of not over 2-inch pitch and containing more than 3 parts per pitch—valued under 40 cents per pound); TSUS 652.15 (chain of the same description but valued at 40 cents or more per pound); and TSUS 652.18 (other chain for the transmission of power). Since 1930, the applicable rates of duty in all these classifications have been steadily lowered. Beginning from a 40% ad valorem duty under the Tariff Act of 1930 the duty on 652.12 chain was reduced to 25% in 1939 and, under the Kennedy Round GATT negotiations, will ultimately be reduced to 12½%. Beginning from the original 40% level the duty on 652.15 chain has been reduced in steps and under the Kennedy Round concessions will be lowered to 6%. Likewise the duty on 652.18 chain will be reduced to 6%.

Under these continually-decreasing tariffs, imports of sprocket chain, the great bulk of it roller chain, have soared. For example, as appears from Table I below, and from Figure 1 on the following page, the dollar value of imports in 1966 had in only five years increased nearly \$4.5 million, or to 249% of their 1961 level. There was a slight falling off in 1967 but the basic upward trend can be seen in figures for the first five months of 1968. On the basis of these figures we believe 1968 imports of sprocket chain will be approximately \$8.5 million or about 290% of 1961 imports.

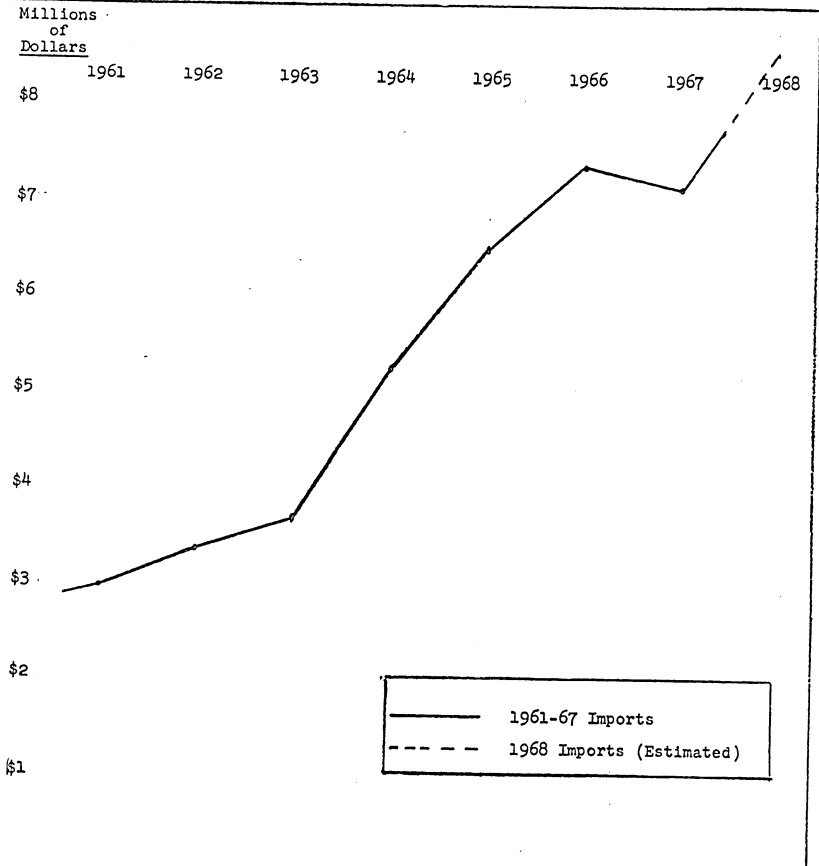
TABLE I.—ANNUAL IMPORTS OF CHAIN UNDER TSUS ITEMS 652.12, 652.15, AND 652.18—ALL COUNTRIES

	Value of imports	Percent of 1961 level
1961.....	\$2,955,000	100
1962.....	3,375,000	114
1963.....	3,696,000	125
1964.....	5,234,000	177
1965.....	6,483,000	219
1966.....	7,383,000	249
1967.....	7,146,000	242
1968 ¹	8,535,000	289

¹ Estimated figures, based on actual figures for 1st 5 months.

Figure 1

1961-67 IMPORTS OF CHAIN FOR THE TRANSMISSION OF POWER - ALL COUNTRIES
(TSUS Items 652.12; 652.15 and 652.18)



Imports of sprocket chain from Japan have climbed at an even more alarming rate. As appears from Table II below and from Figure 2 on the following page, by 1966 the dollar value of such imports had increased to 384% of their 1961 level, or by more than \$2.8 million. Reflecting the pattern of sprocket chain imports from all countries, imports of sprocket chain from Japan declined slightly in 1967 but continued their long-term upward movement in 1968. We expect imports of sprocket chain from Japan to reach a new high in 1968, exceeding \$4.5 million, or 450% of 1961 levels.

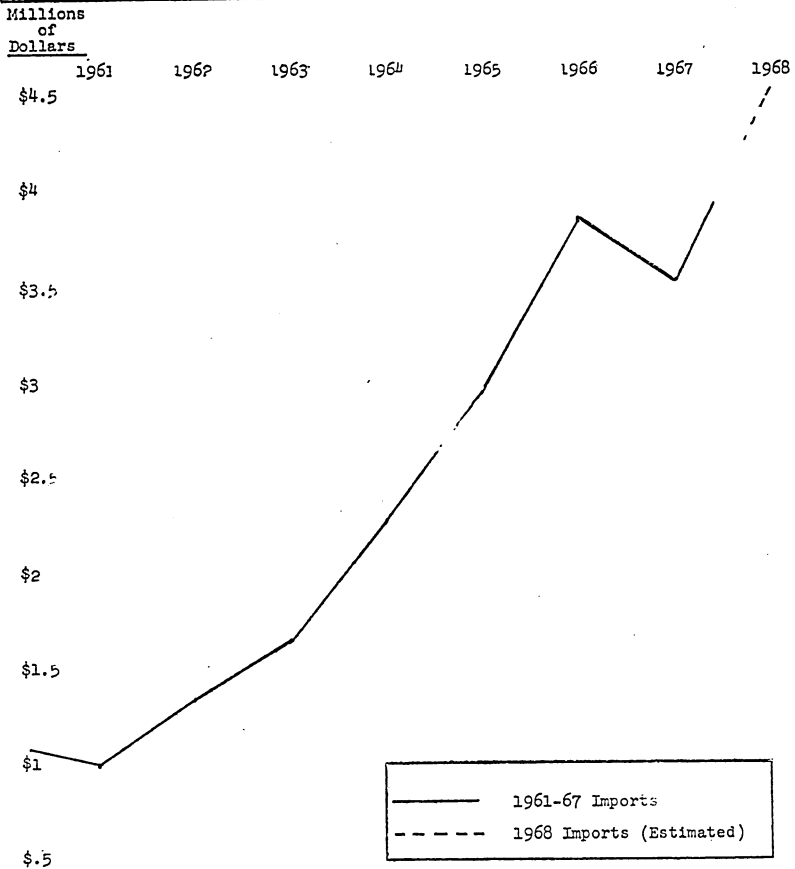
TABLE II.—ANNUAL IMPORTS OF CHAIN UNDER TSUS ITEMS 652.12, 652.15, AND 652.18—JAPAN

	Value of imports	Percent of 1961 level
1961.....	\$1,000,000	100
1962.....	1,350,000	135
1963.....	1,632,000	163
1964.....	2,274,000	227
1965.....	2,944,000	294
1966.....	3,845,000	384
1967.....	3,505,000	350
1968 ¹	4,509,000	451

¹ Estimated figures, based on actual figures for the 1st 5 months.

Figure 2

1961-67 IMPORTS OF CHAIN FOR THE TRANSMISSION OF POWER - JAPAN
(TSUS Items 652.12; 652.15 and 652.18)



In analyzing these figures and evaluating their significance for the future, it is important to bear in mind that the full impact of the 50% tariff reduction negotiated last year at Geneva has not yet been felt. The Kennedy Round concessions are not scheduled to be fully in effect for four years.

While imports of chain—again, principally roller chain—have multiplied since 1961, domestic shipments of this product during the same period have increased far less dramatically. For example, domestic shipments of roller chain in 1968 will probably be only about 60% above 1961 levels. In 1967 the figure was only about 40%.¹

2. *Balance of trade.*—Another highly revealing comparison is that of imports *vs.* exports, which shows our balance of trade with foreign nations. If imports and exports from all countries are considered, the United States was still a net exporter of sprocket chain in 1967. For example, the total value of exports was approximately \$9.4 million, giving a favorable trade balance of about \$2.3 million. But when imports and exports from Canada are excluded, the comparison gives a very different picture. Exports in 1967 to countries other than Canada

¹ Annual shipments of roller chain by domestic manufacturers in the 1960's have been as follows: 1961, \$53,528,000; 1962, \$58,198,000; 1963, \$60,565,000; 1964, \$74,382,000; 1965, \$78,250,000; 1966, \$89,592,000; 1967, \$75,302,000; 1968 (based on data through April), \$86,755,000.

were only about \$4.2 million, while imports from such countries were still over \$7 million, giving a negative trade balance of more than \$2.8 million.

A negative trade balance, of course, is not just the industry's problem. In the context of our current balance of payments difficulties it is a matter of overall national concern.

3. *Cause of the problem.*—The ability of foreign chain, particularly from Japan, to edge out the domestic product is primarily a reflection of lower foreign wage scales, which permit foreign chain manufacturers consistently to undersell U.S. manufacturers. The foreign advantage in this regard is especially significant in small chain sizes where the manufacturing value added (manufacturing costs, excluding selling and administrative costs) to raw material costs increase from about 50% for 2-inch pitch chain to about 75% for $\frac{3}{8}$ -inch pitch chain.

The advantage enjoyed by the Japanese in producing small pitch roller chain has been pressed to the fullest possible extent. For example, in bicycle chain, a roller chain of small pitch, the Japanese takeover of the domestic market has been almost complete—so complete, in fact, as to have eliminated altogether the domestic bicycle chain industry.

4. *Relationship to national security.*—The same thing could happen in other chain lines, and with far more serious implications for the country as a whole. In this connection, sprocket chain serves a variety of vital peace and wartime functions. It is essential to the petroleum industry, the farm equipment industry, the machine tool industry, the construction industry, and a variety of other industries where it is employed in conveying and automating equipment. The industry supplied components for a variety of major defense weapons during World War II and the Korean War and continues to be an essential supplier for manufacturers of military equipment. Sprocket chain is a necessary item in the production of missile and missile handling equipment.

Considering its problems with imports, the domestic sprocket chain industry has consistently opposed duty reductions. But in recent years it had become increasingly apparent that even if our Kennedy Round negotiators had held firm on sprocket chain tariffs, general import duties could no longer be relied on, standing alone, to protect the domestic industry from the destructive effect of imports. As already noted, foreign manufacturers have completely taken over the domestic bicycle chain market. This was done despite the fact that since 1939 the duty applicable to bicycle chain had been 25%. Prior to the Kennedy Round negotiations the duty on most other types of sprocket chain (TSUS Nos. 652.15 and 652.18) was half the bicycle chain duty, or only 12½%. It seems apparent that this duty, even if maintained, would in the foreseeable future have had only minimal effect on imports of these types of chain. Cut in half, as it was at Geneva, it is doubtful whether it will have any significant inhibiting effect whatsoever.

What alternative type of protection would be appropriate? One legislative approach—which we wholeheartedly endorse—is the establishment of import quotas. The Committee has before it proposals to impose import quotas on steel and various other products. If any such bills are favorably reported, we urge that sprocket chain be included among the protected products. We believe that whatever quota formula would be found to be appropriate for steel, would be equally appropriate for chain. We are of course not as large an industry as the steel industry. But we believe that the general principles and public policies justifying import quotas for steel are equally applicable to us.

II. NEED FOR IMPROVED ANTI-DUMPING PROCEDURES

1. *Pending legislative proposals.*—Even if import quotas should be imposed, however—and of obviously greater importance if they should not be—we urge that legislation be adopted to provide the domestic industry with realistic and practically available remedies against a more specific problem we are faced with—dumping. As already noted, the bulk of chain imports are from Japan. While we have at this time no specific data to report with respect to Japanese home-market selling prices, we believe that all or a very substantial portion of Japanese chain is being sold in this country at prices below what the Japanese sell such chain for at home. We also know that Japanese penetration of particular geographic markets (particularly on the West Coast) far exceeds their current nationwide penetration.

We urge that the present anti-dumping statute be amended to permit adequate and practically-available relief against dumping, which is essentially a form of price discrimination and an unfair method of competition. H.R. 1075 and other

identical bills before this Committee, which we fully support, would accomplish this purpose.

In order to secure relief against dumping (*i.e.*, to secure the imposition of equalizing "special dumping duties"), under current law it is necessary, first, for the Treasury Department to find that in fact foreign manufacturers are dumping in this country and, second, for the Tariff Commission thereafter to find that such dumping has caused or is likely to cause injury to a domestic industry. A principal difficulty with the statute is that its standards are vague and are open to widely varying determinations by both the Treasury Department and the Tariff Commission. Too often narrow and irrelevant standards and legal concepts have been invoked to deny relief against dumped imports.

A crucial problem has to do with the definition of domestic industry. For example, a revised and modernized antidumping law should make it absolutely clear that, in determining whether dumping has caused or is likely to cause injury, the Tariff Commission need not weigh the demonstrated or anticipated effects of the dumping against the health of the *entire domestic industry*. Dumping often causes serious and sometimes fatal injury to sellers of domestic products in particular geographic areas or local markets before it becomes a dangerous competitive threat to the domestic industry considered as a whole. This is particularly true in the case of heavy products, such as chain, where transportation charges can be a significant factor in the ultimate selling price. As already noted, the inroads of Japanese chain on the domestic market are particularly concentrated on the West Coast. The domestic chain industry's ability to secure relief against such regional dumping should not be impeded by the fact that Japanese imports have so far penetrated some of the eastern markets to a lesser degree than the West Coast.

H.R. 1075 and companion bills would deal with this problem by making clear that the Tariff Commission, in determining injury, can base that determination on a realistic commercial definition of the relevant market.

Another significant inadequacy in the present law is the imprecision of the concept of injury. The proposed amendments would deal with this by supplying specific tests which the Tariff Commission would be required to apply. The first test—and one that would have particular application in the chain industry—is whether dumped imports account for 5% or more of domestic sales of the product in question, in whatever is determined to be the relevant market area. This figure derives from a series of cases under the U.S. antitrust laws where it has been held that unfair competitive practices leading to a 5% regional market foreclosure are unlawful. These cases provide direct support for a statutory 5% dumping injury test because dumping, as noted, is essentially anticompetitive and an unfair method of competition.

H.R. 1075 and companion bills would also lay down other tests for determining injury, including whether dumping has contributed to a price decline affecting 50% or more of domestic sales in the relevant market area and a decline of 5% or more in the domestic labor force directly involved.

Another important issue in dumping cases is the degree to which *preventive* relief is obtainable. Relief should be available not only where injury has in fact occurred but also where injury can be expected to occur. The proposed legislation we support would make the obtaining of such anticipatory relief a realistic possibility by providing that, once dumping is established, there need only be shown a "reasonable likelihood" of injury, not an absolute certainty.

The anti-dumping law should also provide that complaints be handled with dispatch. In this connection, under existing law dumping investigations have sometimes dragged on for as long as three years, with the dumping continuing run its destructive course, before the Treasury Department completed its preliminary finding that dumping was in fact taking place. It has been long recognized in the law that justice delayed is justice denied and this maxim is equally applicable to administrative anti-dumping procedures. Under the proposed legislation the Treasury Department would be expected normally to complete its investigation in six months.

A workable anti-dumping law should make clear, as H.R. 1075 and companion bills would do, that predatory intent need not be proved as part of the domestic industry's effort to secure relief against dumping. The motive or frame of mind

of the foreign manufacturer is not only nearly impossible to establish as an evidentiary matter but is irrelevant to the economic impact of his conduct. Accordingly, it should not be an issue in any dumping case as the Tariff Commission has sometimes treated it under the present statute.

Another weakness in current anti-dumping procedures is the tolerance which the Tariff Commission has shown toward the efforts of foreign manufacturers who dump their products in the United States to defend their anti-competitive conduct. For example, a foreign manufacturer should not be permitted to justify dumping on the ground that he is meeting the price of other imports. Under the proposed amendments he could not excuse dumping except by showing that in the absence of such dumping sales by the domestic industry would not have increased.

One problem that has frequently stymied the efforts of domestic manufacturers to secure relief against dumping is their inability to prove actual foreign market prices. The proposed new anti-dumping law would ease this burden by providing that, in the absence of contrary proof, published or list prices would be deemed to be the prices at which foreign market sales were actually made. The bill would also exclude from the determination of the foreign selling prices of allegedly dumped products any prices that were not freely arrived at in the open market, including sales with quantity discounts not freely available to all purchasers, transactions between related parties and exclusive dealing transactions.

2. *The "International Anti-dumping Code."*—In closing these brief comments on the need for a more effective anti-dumping law we should like to add our voice to those already raised in protest against the Executive Department's negotiation at Geneva of a so-called "International Anti-dumping Code" and the Treasury Department's promulgation of amended Antidumping Regulations in purported pursuance of the Code. That Code, which purports to be in implementation of article VI of the General Agreement on Tariffs and Trade, and the new regulations not only would amend our present anti-dumping law in precisely the wrong direction, by making it more difficult to get dumping relief, but are, in our view, in flagrant contravention of existing law. As this Committee knows, this was the conclusion reached by the Tariff Commission in its March, 1968 Report on the Code to the Senate Finance Committee.

The importance of being able to secure relief against dumping to protect particular geographic markets from injurious and unfair foreign competition has already been noted. The International Anti-dumping Code and the new regulations appear to eliminate altogether the possibility of such relief. The Tariff Commission in its Report to the Senate Finance Committee concluded that four out of five prior affirmative injury determinations would have necessarily come out the opposite way under the Code due to its restrictive concept of regional markets.

The new Code would also require that before relief could be obtained it would have to be shown that dumped imports were "*demonstrably the principal cause of material injury or threat of material injury to a domestic industry or the principal cause of material retardation of the establishment of such an industry.*" This requirement would put an almost impossible burden on any industry seeking relief and would seem to disqualify altogether an industry faced with significant economic problems in addition to unfair competition from abroad.

Moreover, the Code would require simultaneous investigations of dumping and injury. The Antidumping Act, on the other hand, states specifically that the injury determination shall be undertaken only after the Treasury Department has concluded its dumping investigation, and that this injury determination shall be made solely by the Tariff Commission. Under the new Treasury regulations, however, a preliminary injury determination would be made by Treasury.

We urge that Congress take action against an unwarranted and probably unconstitutional intrusion on Congress' legislative jurisdiction and affirmatively repudiate the International Anti-dumping Code and the new Treasury Regulations. We also urge that Congress, in addition to whatever other remedial steps it believes appropriate (including the possible enactment of import quotas), strengthen our existing anti-dumping statute by amending it along the lines of H.R. 1075 and companion measures.

STATEMENT OF GEORGE P. BYRNE, JR., SECRETARY AND LEGAL COUNSEL, SERVICE TOOLS INSTITUTE

This statement is submitted to the Ways and Means Committee on behalf of 60 domestic manufacturers of Mechanics' Hand Service Tools. The Service Tools Institute, principal trade association of Mechanics' Hand Tool manufacturers, located at 331 Madison Avenue, New York, N.Y. 10017, was organized in 1935. A list of members is attached in a Directory. The Institute has submitted statements on behalf of the Industry to the Trade Information Committee in 1953, 1958 and 1962 concerning the Industry's opposition to reductions in duty rates on hand tools at the GATT tariff negotiations following those years. In every instance, duties on hand tools have been reduced, and in the recent Kennedy Round of tariff cutting, all principal hand tool items were scheduled for reduction by 50 percent over the next four years, with the exception of slip joint pliers.

In 1967, one-third of all pliers sold in the USA were manufactured by foreign producers—all of whom have much lower material and labor costs than U.S. manufacturers. Since 1964, imported pliers increased +91%, while domestic sales increased only +35%. The attached exhibits and charts tell *only part* of the full story of the harmful impact on the domestic Mechanics' Hand Service Tools Industry.

87% of the pliers type tools produced in the USA are made in the following cities:

Los Angeles, Calif.	Defiance, Ohio
Newark, N.J.	Orangeburg, S.C.
Chicago, Ill.	Jamestown, N.Y.
Duluth, Minn.	Meadville, Pa.

Since plier manufacturing involves much hand labor requiring long training periods, domestic plier manufacturers are hopelessly out of competition with imports because the industry's average hourly pay in the first quarter of 1968= \$3.051 per hour.

This industry has appealed to the U.S. Tariff Commission and other Government Agencies for relief with no results.

Ruthless competition from importer speculators has resulted in the following deceptive practices affecting American consumers.

1. Some imported pliers are repackaged with plastic "see through" sealed wrappers on cardboard display cards—having the foreign country of origin name reversed on the tool so it cannot be seen.
2. These prepackaged pliers have a fallacious "list" price shown. The retailer indicates his "cut" price on a space specially provided for on the wrapper.
3. This prepackaging means that the consumer cannot examine and handle the tool to ascertain its value or its country of origin. He is misled concerning both the price and quality of the tool as well as its origin.
4. "Chinese copies" of pliers are made in USA Japan—(See attached exhibit)

Another example of Mechanics' Hand Tools hard hit by import competition is *pipe tools and wrenches*. During the first four months of 1968, these products are coming into the USA at a domestic market value rate of \$24,000,000 per annum, or 2.6 times greater than 1964 levels. This upward trend in imports is being followed in other types of hand tools, including screwdrivers, snips, shears and hammers.

The domestic Hand Tool Industry is, therefore, faced with a serious and critical condition, which is becoming more acute as the 1967 GATT reduction of 50% in U.S. import duties on hand tools begins to take effect. *If this condition is not corrected in the very near future, plant shutdowns and loss of American jobs in domestic hand tool plants are bound to occur.*

Before it is too late, we urge that the House Ways and Means Committee give full support to import quota legislation in H.R. 16936. In 1967, hand tools were made under priority for the Government's Military Services amounting to \$17.5 million. Termination of the Viet Nam War could put many tool companies out of business with the resulting loss of jobs.

This statement is respectfully submitted in behalf of the domestic manufacturers of Hand Tools whose names and addresses appear in the booklet attached to this statement.

(Attachment.)

DIRECTORY
OF
MECHANICS HAND SERVICE TOOLS
MANUFACTURERS

The SERVICE TOOLS INSTITUTE, which was founded in 1935, is the trade association of American manufacturers of MECHANICS HAND SERVICE TOOLS.

The purposes and objectives of STI are to further the interests of its members by representing them in all matters that directly affect the MECHANICS HAND SERVICE TOOLS industry. Of particular importance to the government, industry and the public is the coordination of revisions of federal and military specifications and standards which result in superior quality and dependability in hand tools. Development of appropriate international standards for wrenches and other tools through the International Standards Organization is another public service of STI.

George P. Byrne, Jr.
Secretary

SERVICE TOOLS INSTITUTE

A & E MANUFACTURING COMPANY

1905 Kearney Ave.

tel: 414-632-4450

Racine, Wis. 53403

Products Sold: Valve Tools, Box Wrenches, Socket Wrenches. Thickness (feeler) Gauges.

APCO MOSSBERG COMPANY

35 Lamb St.

tel: 617-222-0340

Attleboro, Mass. 02703

Products Sold: Rim Wrenches, Torque Wrenches, Miscellaneous Wrenches.

APEX MACHINE & TOOL COMPANY

1025 S. Patterson Blvd.

tel: 513-222-7871

Dayton, Ohio 45401

Products Sold: Screwdrivers, Power, Insert Bit, Holders for all types of recesses. Socket Wrenches, UJ Wrenches, Extensions, Magnetic and Non-magnetic.

ARMSTRONG BROS. TOOL CO.

5200 W. Armstrong Ave.

tel: 312-RO 3-3333

Chicago, Ill. 60646

Products Sold: Open End Wrenches, Combination Wrenches, Box Socket Wrenches, Spanner Wrenches, Construction Wrenches, Miscellaneous Carbon Steel Wrenches, Detachable Sockets & Drive Parts, Power Drive Sockets, Pipe Wrenches, Punches, Chisels, Hammers, Screwdrivers, etc.

BALTIMORE TOOL WORKS, INC.

1110 Race St.

tel: 301-752-5297

Baltimore, Md. 21230

Products Sold: Drills-Four Point Star, Hand, Electric, Pneumatic, Chisels, Punches, Miscellaneous Tools.

BARCALO TOOL DIVISION**CRESCENT NIAGARA CORPORATION**

70 Niagara Street

tel: 716-853-5100

Buffalo, N.Y. 14202

Products Sold: Pliers, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Midget Wrenches, Screwdrivers, Nutdrivers.

BERGMAN TOOL MANUFACTURING COMPANY, INC.
 1573 Niagara St. tel: 716-885-5974
 Buffalo, N.Y. 14213

Products Sold: Snips, Battery Service Tools

**BILLINGS & SPENCER TOOL DIVISION,
 CRESCENT NIAGARA CORPORATION**
 70 Niagara St. tel: 716-853-5100
 Buffalo, N.Y. 14202

Products Sold: Adjustable Wrenches, Pipe Wrenches, Box Wrenches, Combination Wrenches, Electrical and Engineers Wrenches, Socket Wrenches, Spanners, Tappet Wrenches, Structural Wrenches, Textile Wrenches, Chain Pipe Wrenches, Chisels, Clamps, Eye Bolts, Hacksaws, Hammers, Hoist Hooks, Pliers, Punches, Screwdrivers, Snips, Thumb Nuts and Screws, Miscellaneous Shop Tools

**BOKER MANUFACTURING COMPANY
 SUBSIDIARY OF NEW BRITAIN MACHINE COMPANY**
 200 Burnett Ave. tel: 201-761-6900
 Maplewood, N.J. 07040

Products Sold: Cutting Pliers, Slip Joint Pliers, Special Electronic Pliers, Metal Cutting Snips, Aviation Snips, Adjustable Wrenches, Punches, Chisels, Scissors, Shears, Pocket Knives, Letters & Figures, Special Tools

**BRIDGEPORT HARDWARE MANUFACTURING DIVISION
 CRESCENT NIAGARA CORPORATION**
 70 Niagara St. tel: 716-853-5100
 Buffalo, N. Y. 14202

Products Sold: Screwdrivers, Nutdrivers, Hex Keys, Offset Screwdrivers, Axes, Nail Pullers, Ripping Tools, Pliers, Wrench Sets, Trowels, Miscellaneous Tools

CAMERON MANUFACTURING CORP.
 P.O. Box 391 tel: 814-483-3394
 Emporium, Pennsylvania 15834

Products Sold: Plier Forgings, Wrench Forgings, Fixed Joint Electricians Pliers

C & G WHEEL PULLER COMPANY, INC.

Scio, N.Y. 14880

tel: 716-593-5190

Products Sold: Hydraulic & Mechanical, Pullers & Presses

CHANNELLOCK, INC.

1306-16 S. Main St.

tel: 814-336-1175

Meadville, Pa. 16335

Products Sold: Hammers, Pliers, Screwdrivers, Adjustable Wrenches, Miscellaneous Tools

CLECO DIVISION OF REED INTERNATIONAL, INC.

P. O. Box 40430

tel: 713-HO 2-4521

Houston, Texas 77040

Products Sold: Portable Pneumatic & Hand Torque Tools & Torque Analyzers

CORNWELL QUALITY TOOLS COMPANY

Mogadore, Ohio 44260

tel: 216-628-2626

Products Sold: Adaptors, Chisels and Punches, Drivers or Shanks, Extensions, Flex Handles, Flex Ratchets, Hammers, Impact Sockets, Screwdrivers, Pliers, Pullers, Ratchets, Sockets, Screw Extractors, Tool Boxes and Cabinets, Torque Wrenches, Universal Joints, Wrenches, Valve Tools, Body & Fender Tools

**CRESCENT TOOL DIVISION,
CRESCENT NIAGARA CORPORATION**

70 Niagara St.

tel: 716-853-5100

Buffalo, N.Y. 14202

Products Sold: Adjustable Wrenches; Slip Joint Pliers, Solid Joint Pliers, Screwdrivers, Nutdrivers, Socket Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Snips, Hacksaws, Punches, Chisels, Wire Grips, Miscellaneous Tools

DIAMOND TOOL & HORSESHOE CO.

4702 Grand Ave. W.

tel: 218-624-4858

Duluth, Minn. 55807

Products Sold: Pliers, Snips, Aviation Snips, Adjustable Wrenches, Miscellaneous Tools, Pitching Horseshoes, Horseshoes, Drop Forgings

DOWLEY MANUFACTURING, INC.

Spring Arbor, Mich. 49283

tel: 517-787-1070

Products Sold: Chisels, Pliers, Pullers, Punches, Screwdrivers, Body Fender Tools, Miscellaneous Tools

DUPLEX MANUFACTURING CORPORATION

Box 818

tel: 501-785-1457

Fort Smith, Ark. 72901

Products Sold: Tool Boxes

DURO METAL PRODUCTS COMPANY

2649-59 N. Kildare Ave.

tel: 312-235-5000

Chicago, Ill. 60639

Products Sold: Tool Boxes, Chisels, Hammers, Pliers, Pullers, Punches, Screwdrivers, Snips & Shears, Body Fender Tools, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Rim Wrenches, Socket Wrenches, Torque Wrenches, Pulleys, Set Screw Wrenches

FAIRMOUNT TOOL & FORGING DIVISION

HOUDAILLE INDUSTRIES INC.

10611 Quincy Ave.

tel: 216-421-4312

Cleveland, Ohio 44106

Products Sold: Tool Boxes, Hammers, Pliers, Pullers, Screwdrivers, Snips & Shears, Body Fender Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Socket Wrenches, Torque Wrenches, Miscellaneous Wrenches, Miscellaneous Tools

FLEET TOOL CORPORATION

3900 Wesley Terrace

tel: 312-678-0500

Schiller Park, Ill. 60176

Products Sold: Tool Boxes, Chisels, Hammers, Pliers, Punches, Screwdrivers, Snips & Shears, Body Fender Tools, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Rim Wrenches, Socket Wrenches, Miscellaneous Tools

THE FORSBERG MANUFACTURING CO.

125 Seaview Ave.

tel: 203-334-5503

Bridgeport, Conn. 06601

Products Sold: Screwdrivers, Coping Saws, Hand Drills, Hack Saws, Whiz Saws

JO-LINE TOOLS, INC.

8442 Otis St.

tel: 213-567-1366

South Gate, California 90280

Products Sold: Torque Wrenches, Torque Screwdrivers, Torque Testers, Torque Multipliers, Torque Calibrators and Special Torque Wrenches

KELSEY-HAYES COMPANY - TOOL DIVISION

UTICA TOOLS - BONNEY TOOLS - HERBRAND TOOLS

Sales Office: 17640 Grand River Ave.

Detroit, Michigan

tel: 313-835-5044

Plant: Cameron Road

Orangeburg, S. C. 29115

tel: 803-534-7010

Products Sold: Tool Boxes, Chisels, Pliers, Pullers, Punches, Screwdrivers, Snips & Shears, Body Fender Tools, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Rim Wrenches, Socket Wrenches, Torque Wrenches, Miscellaneous Wrenches, Miscellaneous Tools

KEN TOOL MANUFACTURING CO.

768 East North St.

tel: 216-535-7177

Akron, Ohio 44305

Products Sold: Automotive Service Tools, Tire Tools, Wrenches, Mallets and Miscellaneous Tools

KENNEDY MANUFACTURING COMPANY

Van Wert, Ohio 45891

tel: 419-232-2070

Products Sold: Tool Boxes, Tool Chests, Roller Tool Cabinets

MATHIAS KLEIN & SONS

7200 McCormick Rd., Skokie

tel: 312-588-6820

Chicago, Ill. 60645

Products Sold: Hammers, Pliers, Screwdrivers, Adjustable Wrenches, Miscellaneous Wrenches, Miscellaneous Tools

McKAIG-HATCH

DIVISION OF TASA COAL COMPANY

125 Skillen St.

tel: 716-876-2078

Buffalo, N.Y. 14207

Products Sold: Ball Pein and Claw Hammers - Adjustable Wrenches, Box, Open End and Combination Wrenches, Heavy Duty Pipe and Stillson Wrenches, Pliers, Wheel Wrenches, Auto Wrenches, Miscellaneous Tools

METAL BOX AND CABINET CORPORATION

4716 W. Lake St.

tel: 312-626-2100

Chicago, Ill. 60644

Products Sold: Tool Chests and Cabinets**MIDWEST TOOL & CUTLERY COMPANY, INC.**

Sturgis, Mich. 49091

tel: 616-651-2476

Products Sold: Snips & Shears**MILBAR CORPORATION**

2800 E. 116th St.

tel: 416-795-1640

Cleveland, Ohio 44120

Products Sold: Retaining Ring Pliers, Wire Twisters, Close Clearance Wrenches, Torque Wrenches, Miniature Forged Wrenches, Oil Filter Removal Tools, Wheel Bearing Driving Tool, Battery Terminal Cleaning Tool**MILLERS FALLS COMPANY**

Greenfield, Mass. 01301

tel: 413-773-5426

Products Sold: Pliers, Precision Tools, Combination Squares, Depth Gages, Tapes and Rules, Micrometers, Squares, Calipers, and Dividers. Carpenters Tools, Saws, Carpenters Hammers, Planes, Bits and Accessories, Wood Working Chisels, Putty Knives, Levels, Hatchets, Drills and Drill Points, Hole Saws. Electric Tools, Drills, Polishers, Sanders, Grinders, Impact Wrenches, Hammers, Screwdrivers, Bench Grinders, Saber Saws, Routers, Lock Roller Shears. Hole Saws, Hack Saw Blades, Power Hack Saw Blades, Band Saws**MOORE DROP FORGING COMPANY**

35 Walter Street

tel: 413-785-5381

Springfield, Mass. 01107

Products Sold: Box Wrenches, Combination Wrenches, Open End Wrenches, Socket Wrenches, Miscellaneous Wrenches**THE NEW BRITAIN MACHINE COMPANY**

P.O. Box 1320

tel: 203-229-1641

New Britain, Conn. 06050

Products Sold: Sockets— $\frac{1}{4}$ ", $\frac{3}{8}$ ", $\frac{1}{2}$ ", $\frac{3}{4}$ ", and 1" Square Drives; Socket Sets; Open-end Wrenches; Box Wrenches; Combination Wrenches; Body and Fender Tools; Brake Service Tools; Tool Chests; Chisels; Feeler Gauges; Files; Hammers; Ignition Tools; Piston Service Tools; Pliers; Pullers; Punches; Screwdrivers; Tire and Rim Tools; Valve Service Tools; Adjustable Wrenches; Pipe Wrenches; Tappet Wrenches; Torque Wrenches

NEW PLASTIC CORPORATION

1026 N. Sycamore St.
Los Angeles, Calif. 90038

tel: 213-469-1493

Products Sold: Surface Protective Hammers, Fiberglass (NUPLAGLAS) Replacement Handles for Hammers, Shovels, Picks, Sledges, and Axes. Fiberglass (NUPLAGLAS) Handled Machinists Ball Peen Hammers, Fiberglass (NUPLAGLAS) Handled Carpenters Hammers, Fiberglass (NUPLAGLAS) Handled Sledges. Fiberglass (NUPLAGLAS) Handled Pike Poles. Miscellaneous -- Special Handles of Fiberglass (NUPLAGLAS) for Hand Tools.

C.S. OSBORNE COMPANY

125 Jersey St.
Harrison, N.J. 07029

tel: 201-483-3232

Products Sold: Mechanics' hand Tools for Plumbers, Mason, Upholsterers, and General Industrial use.

OWATONNA TOOL COMPANY

Owatonna, Minn. 55060

tel: 507-451-5310

Products Sold: Tool Boxes, Chisels, Hammers, Pliers, Pullers, Punches, Screwdrivers, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Socket Wrenches, Torque Wrenches, Miscellaneous Wrenches, Miscellaneous Tools

PARK MANUFACTURING COMPANY

Main & Mosier Sts.
Grant Park, Ill. 60940

tel: 815-465-2181

Products Sold: Tool Boxes

PARKER MANUFACTURING CO.

149 Washington St.
Worcester, Massachusetts 01601

tel: 617-756-3581

Products Sold: Screwdrivers, Locking Plier Wrenches
Category #17

P & C TOOL COMPANY

P.O. Box 5926 Milwaukee P.O.
Portland, Oreg. 97222

tel: 503-654-5471

Products Sold: Builders Tools, Saws, Carpenters Hammers, Planes, Bits and Accessories, Wood Working Chisels, Putty Knives, Labels, Hatchets, Drills and Drill Points, Hole Saws

PETERSEN MANUFACTURING COMPANY, INC.
De Witt, Nebr. 68341 tel: 402-683-2301

Products Sold: Toggle Locking Pliers, Wrenches and Clamps

H.K. PORTER, INC.
74 Foley St. tel: 617-776-8200
Somerville, Mass. 02143

Products Sold: Hand and Power Operated Tools, Special Purpose Tools, Body and Fender Tools, Pruning Tools, Miscellaneous Tools

PROTO TOOL COMPANY
Box 3519 Terminal Annex tel: 213-589-3311
Los Angeles, Calif. 90054

Products Sold: Metric Hand and Power Sockets, Open End Wrenches, Combination Wrenches, Automotive Tune Up Equipment, Hole Saws, Precision Tools, Micrometers, Squares, Calipers and Dividers, Depth Gages, Scribes and Punches, Measuring Tapes and Rules, Impact Wrenches

QUALITY TOOLS CORPORATION
New Wilmington, Pa. 16142 tel: 412-946-2631

Products Sold: Chisels, Pliers, Pullers, Punches, Screwdrivers, Body Fender Tools, Miscellaneous Tools

REED & PRINCE MANUFACTURING COMPANY
1 Duncan Ave. tel: 617-753-2934
Worcester, Mass. 01601

Products Sold: Screwdrivers

REM LINE DIVISION
ADVERTISING METAL DISPLAY COMPANY
4620 West 19th St. tel: 312-242-1242
Chicago, Ill. 60650

Products Sold: Tool Chests, Cabinets, Boxes

**S-K WAYNE TOOL COMPANY SUBSIDIARY OF
SYMINGTON WAYNE CORPORATION**

Sales Office: 332 South Michigan Ave.

Chicago, Ill. 60604

tel: 312-427-5541

Plants: 3535 W. 47th St.

Chicago, Ill. 60632

tel: 312-523-1301

Defiance, Ohio 43512

tel: 419-784-1122

Products Sold: Chisels, Pliers, Punches, Screwdrivers, Snips, Tool Boxes, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Rim Wrenches, Socket Wrenches, Miscellaneous Wrenches, Miscellaneous Tools

SNAP-ON TOOLS CORPORATION

Kenosha, Wis. 53140

tel: 414-654-8681

Products Sold: Tool Boxes, Chisels, Hammers, Pliers, Pullers, Punches, Screwdrivers, Snips & Shears, Body Fender Tools, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Rim Wrenches, Socket Wrenches, Torque Wrenches, Miscellaneous Wrenches, Miscellaneous Tools, Tune-Up Equipment, Wheel Alignment and Balancing Equipment

**STANLEY TOOLS, DIVISION OF
THE STANLEY WORKS**

600 Myrtle St.

New Britain, Conn. 06050

tel: 203-225-5111

Products Sold: Chisels, Hammers, Punches, Screwdrivers, Snips & Shears

STEVENS WALDEN, INC.

475 Shrewsbury St.

Worcester, Mass. 01604

tel: 617-799-4111

Products Sold: Tool Boxes, Chisels, Pliers, Punches, Screwdrivers, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Rim Wrenches, Socket Wrenches, Miscellaneous Wrenches, Miscellaneous Tools

STREAM LINE TOOLS, INC.

Conover, N.C. 28613

tel: 704-459-3411

Products Sold: Automotive Fender and Body Repair Tools, Auto Creepers

P.A. STURTEVANT CO.

Addison, Ill. 60101

tel: 312-834-2000

Products Sold: Torque Wrenches

SUPERIOR TOOL COMPANY

6609 Carnegie Ave.

tel: 216-881-0720

Cleveland, Ohio 44103

Products Sold: Hex Socket Key Wrenches, Chain Wrenches, Tubing Cutters, Flaring Tools, Pipe Cutters, Pipe Vises, Carbide Masonry Drills, Grinder & Polishing Mandrels, Chucks, Arbors, Soft Face Hammers

THORSEN MANUFACTURING COMPANY

1360 59th St.

tel: 415-652-3728

Oakland, Calif. 94608

Products Sold: Socket Wrenches, Box, Combination and Open End Wrenches, Adjustable Wrenches, Torque Wrenches, Pliers, Screwdrivers, Punches, Chisels, Pipe Wrenches, Hammers

UNION STEEL CHEST CORPORATION

54 Church St.

tel: 716-967-6252

LeRoy, N.Y. 14482

Products Sold: Tool Boxes, Utility Chests, Cash Boxes, Bond Boxes, Steel and Plastic Tackle Boxes

UPSON BROTHERS, INC.

65 Broad St.

tel: 716-232-6876

Rochester, N.Y. 14614

Products Sold: Screwdrivers, Nutdrivers, Scratch Awls

VACO PRODUCTS CO.

510 N. Dearborn St.

tel: 312-467-0123

Chicago, Ill. 60610

Products Sold: Screwdrivers, Nut Drivers, Pliers, Crimping Tools, Miscellaneous Tools

VAUGHAN & BUSHNELL MANUFACTURING COMPANY
135 S. LaSalle St. tel: 312-726-0502
Chicago, Ill. 60603

Products Sold: Hammers, Ball Pein, Claw, Hatchets,
 Axes, Pry Bars, Miscellaneous Forged Striking Tools

VLCEK TOOL COMPANY
3001 E. 87th St. tel: 216-421-2480
Cleveland, Ohio 44104

Products Sold: Chisels, Hammers, Pliers, Punches,
 Screwdrivers, Snips & Shears, Adjustable Wrenches, Box
 Wrenches, Combination Wrenches, Open End Wrenches,
 Pipe Wrenches, Rim Wrenches, Socket Wrenches, Mis-
 cellaneous Wrenches, Miscellaneous Tools

WATERLOO VALVE SPRING COMPRESSOR COMPANY
Waterloo, Iowa 50504 tel: 319-234-6665

Products Sold: Tool Boxes, Machinists' Chests, Mechan-
 ics' Chests and Roller Cabinets, Carrying Cases, Socket
 Trays, Socket Boxes

WILDE TOOL COMPANY, INC.
13th & Pottawatomie Sts. tel: 913-742-2531
Hiawatha, Kans. 66434

Products Sold: Chisels, Pliers, Punches, Screwdrivers,
 Valve Tools, Adjustable Wrenches, Box Wrenches, Open
 End Wrenches, Miscellaneous Wrenches, Miscellaneous
 Tools

J.H. WILLIAMS & CO., DIVISION OF
UNITED-GREENFIELD CORPORATION
Buffalo, N.Y. 14207 tel: 716-875-3200

Products Sold: Tool Boxes, Chisels, Hammers, Pliers,
 Pullers, Punches, Screwdrivers, Body Fender Tools,
 Adjustable Wrenches, Box Wrenches, Combination
 Wrenches, Open End Wrenches, Rim Wrenches, Socket
 Wrenches, Torque Wrenches, Miscellaneous Wrenches,
 Miscellaneous Tools

J. WISS & SONS CO.

33 Littleton Ave.

Newark, N.J. 07107

tel: 201-622-4670

Products Sold: Snips & Shears

WRIGHT TOOL & FORGE COMPANY

42 E. State St.

Barberton, Ohio 44203

tel: 216-745-2136

Products Sold: Pullers, Combination Wrenches, Open
End Wrenches, Socket Wrenches

XCELITE, INC.

Orchard Park, N.Y. 14127

tel: 716-662-4461-
2-3-5

Products Sold: Screwdrivers, Nutdrivers, Pliers, Wrenches,
Special Tools, Miscellaneous Tools



SERVICE TOOL INSTITUTE
George P. Byrne, Secretary
331 Madison Avenue
New York, N. Y. 10017

EXHIBIT I

STATISTICAL ANALYSIS

SHOWING THE IMPACT

<u>IMPORTS of PLIERS</u> (Data from U.S. Bureau of Census)	have on the	<u>DOMESTIC U.S. MARKET</u> (Service Tools Institute Sales Statistics)
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(All Data equalized to realistically reflect Wholesale Market Values in U.S.)

ANNUAL RATE FOR YEAR	IMPORTS OF PLIERS INTO U.S.A.		DOMESTIC U.S. PLIERS MFRS. SHIPMENTS IN THE MARKET (26 Concerns) (3)	COMBINED DOMESTIC & IMPORT SALES IN U.S. MARKET (2 & 3 Combined) (4)	PROPORTIONATE SHARE OF TOTAL PLIERS MARKET OBTAINED BY IMPORTERS % (2) of (4)
	PLIERS AT FOREIGN VALUATIONS (1)	AS PROJECTED TO U.S. WHOLESALE MARKET VALUATIONS (2)			
1964	\$2,372,808	\$ 7,118,424	\$20,172,000	\$27,290,424	26.1%
1965	2,984,856	8,954,568	21,924,000	30,878,568	29.0
1966	3,843,612	11,520,836	24,276,000	35,806,836	32.2
1967	3,915,504	11,746,512	25,080,000	36,826,512	31.9
1968*	4,697,424	13,568,064	27,175,200	40,743,264	33.3

*Average 1st 5 months 1968 projected to annual basis.

IMPORTED PLIERS RAPIDLY OVERTAKING DOMESTIC MANUFACTURERS' MARKET

TREND COMPARISON SHOWING RELATIVE PERCENTAGE OF CHANGE SINCE 1964 LEVELS

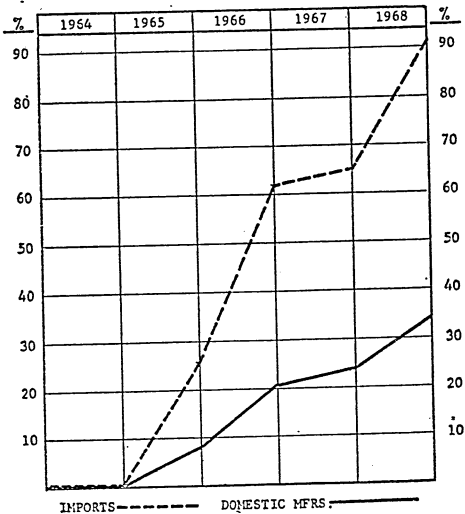
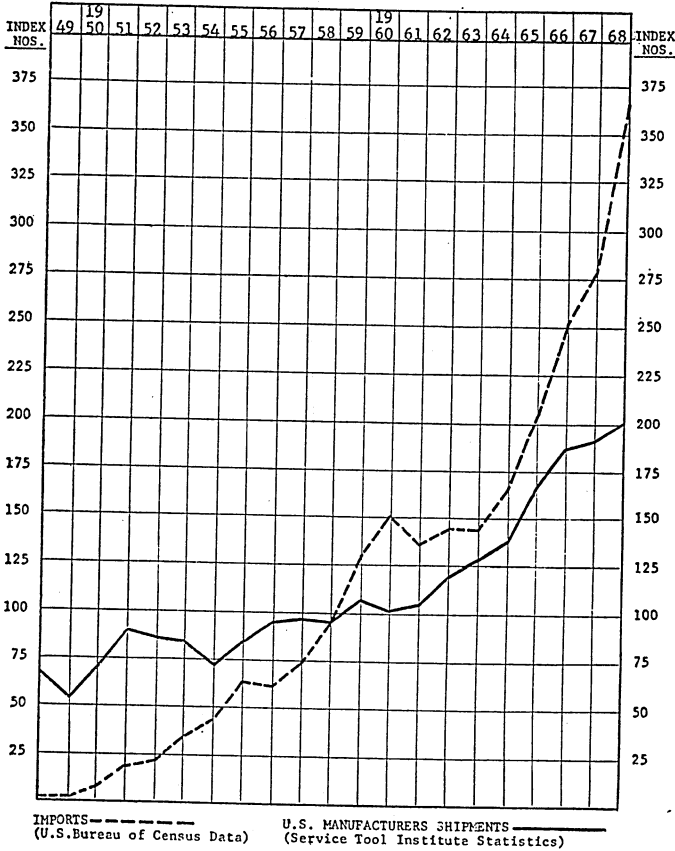


EXHIBIT IITOTAL IMPORTS OF ALL CLASSES OF MECHANICS' HAND SERVICE TOOLS
compared with54 U.S. MANUFACTURING CONCERNS' SHIPMENTS TRENDS

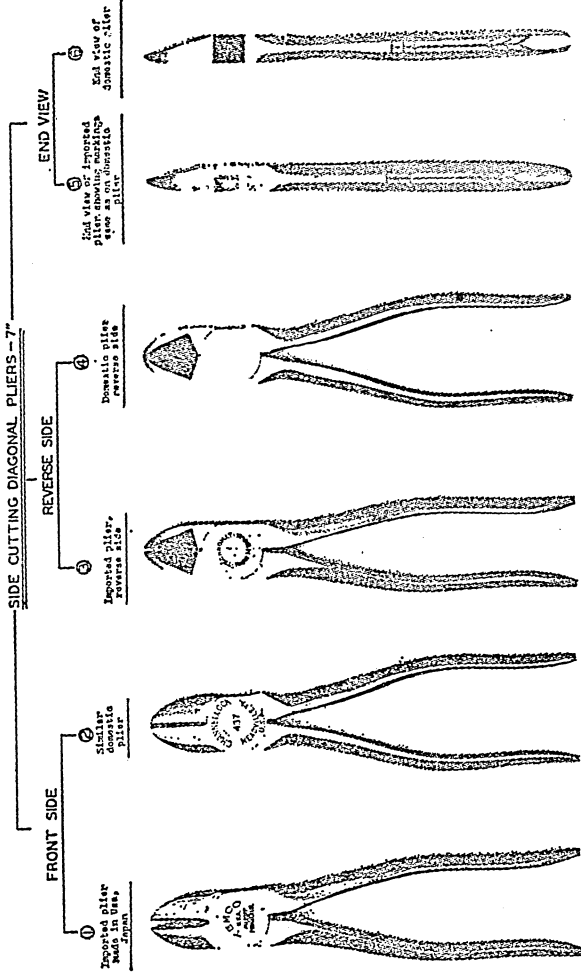
COMPARABLE BASE: YEAR 1957-1959 = #100 FOR BOTH SERIES



FROM: SERVICE TOOLS INSTITUTE - George P. Byrne, Secretary - 331 Madison Ave., New York, N.Y. 10017

EXHIBIT III

HOW FOREIGN IMPORTERS INJURE AMERICAN MANUFACTURERS BY
DELIBERATELY MISREPRESENTING THEIR PRODUCTS TO THE AMERICAN CONSUMING PUBLIC



NOTE: Please examine the above pliers (labeled 1, 2, 3, 4, 5, 6, 7, 8) and find the difference between the pliers made in Japan and those made in Japan. The pliers made in Japan are marked with the word 'JAPAN' on the head and the word '437' on the head.

FOOT-SERVO TOOLS INSTITUTE, 331 Madison Ave., New York 10017

STATEMENT OF B. C. DEUSCHLE, PRESIDENT, SHEARS, SCISSORS AND MANICURE
IMPLEMENT MANUFACTURERS ASSOCIATION

I would like to begin my statement with a word of appreciation to this Committee and particularly to the members that supported Section 225(b) of the Trade Expansion Act of 1962. This key section provided for the reservation of certain articles including one category of scissors and shears from the Kennedy Round of Negotiations.

The members of our Association were astounded to find that the President in his May 28 message to Congress did not recommend or include in the proposed Trade Expansion Act of 1968 that the reservation provided for in Section 225(b) be extended with the new negotiating authority requested. Should this Committee approve legislation extending the President's basic authority for entering into trade agreements, we urge that the reservation provided for in Section 225(b) be extended for the same period.

The scissors and shears industry has not seen the full effect of the 50% reduction in the duty on scissors and shears valued \$1.75 per dozen and less since the first step of the reduction only became effective on January 1, 1968. However, even with no change in the duty, imports of these scissors and shears have increased 68% during the past five years. The present economic condition of our domestic industry indicates a real need for restraint and not encouragement of imports. We urge this Committee to report legislation similar to the Orderly Scissors and Shears Marketing Act (copy attached), which has been introduced in the Senate by Senator Ribicoff (S. 2618). Enactment of the Trade Expansion Act of 1968 in its present form could spell instant doom to our industry and employees.

During the past 20 years representatives of our Association have appeared before this Committee and other Congressional committees, the Tariff Commission and committees of the executive to present our view on the impact of imported scissors and shears on our domestic industry. In fact, I appeared before this Committee six years ago when the Trade Expansion Act of 1962 was being considered. At that time, on behalf of the Association, I urged that the escape clause be strengthened and not abandoned for the trade adjustment assistance concept. This recommendation was not accepted and the President has now acknowledged that the trade adjustment assistance program enacted in 1962 has been ineffective. The Chairman of the Tariff Commission made a similar evaluation during March. We believe that it is clear that a warmed over adjustment assistance program now recommended by the President is not the answer to the problem faced by industries such as ours. I repeat what I said six years ago, "The workers in the domestic scissors and shears industry do not want to become wards of the state; they want to use their skills, which have taken years to develop. These workers are not interested in re-training, over many years they have developed a skill they are proud of and want to continue the work they are happy doing."

Our nation needs a policy that, in word and fact, will assure domestic industries, firms and workers practicable and reasonable protection against injury from low-cost imports. We cannot agree that the answer lies in federal compensation to workers whose jobs are sacrificed for the exports of another industry. The jobs American industry is providing for American workers must remain in the United States. This can be done with enactment of the Orderly Scissors and Shears Marketing Act.

Gentlemen, during the past 20 years that we have been pleading for our industry we have not been crying "wolf". Look at what has happened to our industry during that period. In 1949 there were approximately 50 firms in the United States manufacturing scissors and shears, today there are less than 10. During just the past five years, with no new duty reductions, "reported" imports of scissors and shears have increased over 50%. During each of the past nine years imports of scissors and shears (valued over \$1.75 per dozen, which account for 95% of imports) have exceeded domestic production of comparable items. It is this category of scissors and shears that would be subject to duty cuts if the Trade Expansion Act of 1968 is enacted in its proposed form.

One member of the scissors and shears industry gave "Yankee stubbornness" as his reason for staying in business under present conditions. He also added that he had the belief that "eventually our administration in Washington would come around to agree, in majority, that before we can help others

around the globe (which we should) and eliminate or win wars (which we must) that we ourselves must not only be spiritually progressive but also mentally, physically and materially strong".

We believe that one of the problems of our industry has been that we have not been able to show statistically to the government the full impact of imports of scissors and shears in the domestic market. The Bureau of Census import statistics for scissors and shears fall far short of reporting the total imports of these items into the United States. There are thousands of scissors and shears imported into the United States duty free in individual shipments valued at less than one dollar for which no records are kept by the Bureau of Customs or Bureau of Census. There are other thousands imported in sewing sets and manicure and pedicure sets on which no record is made on number. Thus the statistically visible imports which are tremendous are only the visible part of the "iceberg" that sank our industry.

The tariff history of scissors and shears is enlightening as to the effect of duty reductions on imports. During hearings before this Committee and the Senate Finance Committee, in connection with the drafting of the Tariff Act of 1930, importers appeared and urged that the rates of duty established for scissors and shears in the Tariff Act of 1922 be reduced. Domestic producers also appeared before the Committees and pointed out the necessity of continuing the rates of duty then in effect. Following consideration of the testimony, the Congress continued the 1922 rates of duty on scissors and shears in the Tariff Act of 1930.

During 1948 the United States issued a notice of the intention to undertake trade agreement negotiations. Our Association presented data and oral arguments to the Committee for Reciprocity Information and the United States Tariff Commission urging retention of the rates fixed in the Tariff Act of 1930. However, the duties on scissors and shears were reduced under the Ancey agreements in 1950. At about the time these duty reductions were becoming effective the industry was faced with the prospect of further duty cuts. Again our Association went before the Committee for Reciprocity Information and the Tariff Commission opposing any further change in the tariff on scissors and shears. Again the industry's dire warnings were not heeded and the import duties were again reduced in 1951 following the trade agreement negotiations at Torquay.

As a result of the Ancey and Torquay agreements, the import duties on scissors and shears were reduced 50% during 1950-51. The result of the two duty reductions, effective within sixteen months, was an increase in imports of scissors and shears from 150,372 pairs in 1949 (the last full year before the reductions) to 3,121,741 pairs in 1952 (the first full year after the reductions). An increase of 2000% in only three years! During the same three year period there was a sharp drop in domestic sales and a number of domestic firms were forced to close down.

As a result of the injury to domestic firms caused by increased low cost imports, the Association on March 19, 1953 applied to the Tariff Commission for an "escape clause" investigation under section 7 of the Trade Agreements Extension Act of 1951. The Commission conducted an investigation and reported to the President a year later that scissors and shears valued over \$1.75 per dozen "are being imported into the United States in such increased quantities, both actual and relative, as to threaten serious injury to the domestic industry producing like or directly competitive products". The Tariff Commission recommended to the President that the rate of duty in effect on these scissors and shears before the Ancey and Torquay reductions be reinstated.

The President declined to accept the recommendation of the United States Tariff Commission stating that "The volume of imports has leveled off since the high point in 1952, with the rate of importations during 1953 and early 1954 somewhat below that of 1952". The members of the industry have never been able to understand this statement because according to data published by the Department of Commerce imports were as follows:

IMPORTS FOR CONSUMPTION—SCISSORS AND SHEARS VALUED AT MORE THAN \$1.75 PER DOZEN

	Quantity (pairs)	Foreign value
1952.....	2, 139, 781	\$1, 106, 482
1953.....	2, 874, 490	1, 403, 439
1954.....	3, 236, 634	1, 504, 523

It is clear that there was no leveling off during this period as imports in 1953 were more than 34% higher than 1952 and 50% higher in 1954.

Many domestic manufacturers were disillusioned by the complete distortion of the facts by their government, lost all hope of any help, discharged their employees and closed their plants. This was a further loss to the nation.

By 1957 imports of scissors and shears that the Tariff Commission had found in 1954 causing a threat of serious injury had reached over five million pairs. More than half the firms manufacturing scissors and shears in 1950 had reluctantly dismissed their skilled labor, disposed of their productive equipment and facilities, and either dropped all contact with the industry or become jobbers of imported scissors and shears. There were only 23 firms manufacturing scissors and shears in 1958 in the United States. Many were on the brink of closing down because of the flood of low cost imports when the members of the Association decided that another application should be filed with the Tariff Commission for a second escape clause investigation.

The application was filed on August 29, 1958 with respect to serious injury to the domestic industry from imports of scissors and shears valued over \$1.75 per dozen. The Tariff Commission instituted the investigation on September 3, 1958, and on February 25, 1959, made a report finding, "that scissors and shears are not being imported in such increased quantities, either actual or relative to domestic production, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products". The domestic industry in making application followed the determination made by the Tariff Commission in 1953-54 that the minimum importers' selling price of imports entered in the over-\$1.75-per-dozen classification is about \$4.80 per dozen. The effects of imports of scissors and shears valued over \$1.75 per dozen was applied to domestic production valued over \$4.80 per dozen. The Tariff Commission in the second investigation did not follow their earlier determination. However, in the 1959 report it was stated that the "finding and conclusion would not have been different had it considered the domestic industry to be coextensive with the domestic production of scissors and shears valued at more than \$4.80 per dozen".

The Shears, Scissors and Manicure Implement Manufacturers Association challenges this statement. An important table in the Tariff Commission report was designated as number 9. In this table shipments of the domestic industry of scissors and shears of *all* values were added to import of *only* scissors and shears valued over \$1.75 per dozen to obtain apparent consumption and the ratio of imports to consumption and to shipments.

The ratio of imports to consumption and shipments were shown as follows:

[In percent]

Year or period	Ratio of imports to—	
	Consumption	Shipments
1953.....	14.0	16.2
1954.....	14.8	17.3
1955.....	15.0	17.6
1956.....	15.3	18.0
1957.....	16.9	20.1
January-September:		
1957.....	15.6	18.3
1958.....	16.3	19.4

To be consistent, either shipments of the domestic industry valued over \$4.80 per dozen should be compared with imports valued over \$1.75 per dozen, or all imports should have been compared with all shipments of the domestic industry. Either of these proper comparisons would have given a true picture and one entirely different from that shown in Table 9.

Had only scissors and shears valued over \$4.80 per dozen been compared with imports valued over \$1.75 per dozen the table would have been as follows:

[In percent]

Year or period	Ratio of imports to—	
	Consumption	Shipments
1953.....	38.2	61.0
1954.....	42.6	73.2
1955.....	38.2	60.9
1956.....	40.9	67.7
1957.....	45.0	79.3
January-September:		
1957.....	44.7	78.2
1958.....	47.7	89.2

The Tariff Commission report of 1959 noted that there had been an increase in shipments by domestic producers during the period under study: 1953 to 1957. However, the report did not note that even with the increase, the shipments in 1957 were still far below the level prior to the duty reductions in 1950 and 1951. Also, as shown in the table above, imports increased at a much more rapid rate, as imports went for 61 percent of shipments in 1953 to over 79 percent in 1957, and more than 89 percent during the first nine months of 1958.

The Tariff Commission in the 1959 report stated, "The increase in consumption was much greater than the increase in imports that also took place after the Commission's previous report of March 1954". This is not borne out by the statistics included in the report. The data developed by the Tariff Commission and included in the report shows that imports increased 72 percent from 1953 to 1957, while apparent consumption increased only 46 percent.

The Tariff Commission went on in the report to state that, "The significant general broadening of the total domestic market for scissors and shears was a development that could not be foreseen in 1954 when the Commission previously investigated the articles herein under consideration". The data developed by the Tariff Commission showed an increase of 54 percent from 1954 to 1955 in domestic shipments of scissors and shears valued over \$4.80 per dozen. The U.S. Department of Commerce in a report prepared by the Bureau of the Census and released June 19, 1958, showed an increase of only 14 percent from 1954 to 1955 in the domestic shipments of scissors and shears valued over \$4.80 per dozen. The statistics in the Bureau of the Census report were prepared from data obtained from 25 establishments, which was substantially complete coverage of the industry.

Also, it is important to note that the Tariff Commission investigation showed a decrease of 8 percent in the shipments of domestic scissors and shears valued over \$4.80 per dozen from 1955 to 1957, while during the same period there was an increase of 20 percent in imports and 3 percent in apparent consumption.

Thus in the two "escape clause" cases on scissors and shears the industry was denied any relief from the impact of low cost imports because the Tariff Commission and the President ignored the facts. There is no wonder why the scissors and shears industry became disenchanted with the so-called "escape clause" and did not request a third investigation.

Since 1958 imports have continued to increase at a rapid rate and additional firms have been forced to close. As a direct result of our foreign trade policy there are only about 10 firms producing scissors and shears in the United States today. Before the import duties were slashed in 1950 and 1951 there were approximately 50 firms. Many of the firms that have gone out of business were family-owned and had been established for more than 50 years.

Since the end of World War II the industry has not just sat idly by watching imports grow and their production decline. In an effort to retain a fair share of the domestic market the domestic manufacturers have made large expenditures for improvement of equipment as well as for replacement. In spite of the strenuous efforts by domestic firms to reduce costs and regardless of the efficiency of their operations they have not been able to close the "wage gap" between the United States and other countries. The industry is competing in the production of a high labor content product with foreign producers that pay wages far below the minimum wage in the United States. This is evident from the imports report by the Department of Commerce for the past five years as shown below.

IMPORTS FOR CONSUMPTION—SCISSORS AND SHEARS

	Quantity (pairs)	Value
1963.....	9,986,907	\$3,708,054
1964.....	10,319,828	3,846,582
1965.....	11,420,141	4,220,236
1966.....	12,857,003	4,775,651
1967.....	15,097,759	5,653,493

As noted earlier in this statement, these Government statistics do not include all of the imports. The scissors and shears imported in manicure, sewing and similar sets in cases are not separately tabulated and reported by quantity by the Bureau of the Census. The foreign value of these imports have been in excess of three million dollars during each of the past three years. Also, large quantities of scissors and shears are exported by foreign producers direct to individuals in the United States as premiums in connection with the promotion of domestic consumer products. These individual shipments are valued at less than one dollar per shipment and are not subject to import duties and are not recorded in United States import statistics.

There should be no question that it is in the national interest to restrict imports of scissors and shears to a reasonable level. This would be done by enactment of the Orderly Scissors and Shears Marketing Act. (The members of the Shears, Scissors and Manicure Implement Manufacturers Association have never suggested that there be no imports but only that they have a fair competitive opportunity, but not an advantage in the domestic market.)

Last year the United States in effect imported over three million man-hours of labor by importing 15 million pairs of scissors and shears. This runs counter to the recommendations of the Advisory Commission on Civil Disorders that include the creation of two million new ghetto jobs. A number of jobs in the manufacture of scissors and shears can be done by unskilled workers with a minimum of training.

The imports of scissors and shears valued well over five million dollars per year only aggravate our grave balance of payments problem. Each pair of scissors or shears imported means one less pair will be manufactured by United States plants, financed with private capital and paying taxes to the United States Government.

However, the importance of our industry cannot be measured just by the value of output, taxes paid and employment provided. These are all important considerations but more important is the value of our industry to the safety and general welfare of the United States. Scissors and shears are essential tools used in every major industry in the United States. Their use is obvious in the manufacture of many products such as textiles, shoes, and rubber goods. They are also used by the plastic, aircraft automotive and electronics industries all of which produce defense items. These industries have put scissors and shears to unusual uses, for example, pinking shears were used for cutting cloth used in covering liaison planes and embroidery scissors were used by the electronics industry. Shears are included in tent repair kits and bandage scissors in first-aid kits used by the military.

The United States should not be required to depend on foreign producers to supply these important items. But with the trends of the past 18 years, if some emergency cut off imports, it is questionable whether there would be sufficient equipment and skilled workers available to produce our military and essential civilian requirement of scissors and shears.

There can be no question that there can be further expansion of trade among industrialized and developing countries without sacrificing established industries in any country. The United States foreign trade policy must not subvert our national goals. It must provide for strong domestic industries that are producing essential products. The answer is not a policy to "buy out" producers of high labor content products but a policy under which foreign and domestic producers can supply the market together. A sound approach to such a policy is provided in the Orderly Scissors and Shears Marketing Act. We urge its enactment.

Thank you.

[S. 2618, 90th Cong., 1st sess. Introduced by Mr. Ribicoff, Nov. 2, 1967.]

A BILL To provide for orderly trade in scissors and shears

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Orderly Scissors and Shears Marketing Act of 1967".

SEC. 2. PURPOSES.—The purposes of this Act are to promote equitable competition between United States and foreign producers of scissors and shears, to provide for orderly trade in scissors and shears and to afford foreign nations supplying scissors and shears a fair share of the growth or change in the United States market.

SEC. 3. DEFINITIONS.—As used in this Act—

(a) "category" shall include all articles designated under item numbers 650.87, 650.89, 650.91, 651.11, and 651.13 of the Tariff Schedules of the United States Annotated (1965), as amended.

(b) "scissors and shears" shall include all those articles specified in section 3(a) of this Act.

(c) "United States consumption" of scissors and shears for a given calendar year shall equal the sum of the United States shipments and imports of scissors and shears during such year, less the quantity of United States exports of scissors and shears for such year.

SEC. 4. The President is authorized and directed to undertake negotiations with other governments for the purpose of consummating agreements to provide orderly trade in scissors and shears, including the quantitative limitation of imports of all such articles into the United States. Such agreements shall limit the annual importation of scissors and shears in each category to the average share of the United States consumption in each category supplied by imported scissors and shears during a representative historical period of not less than three calendar years prior to the year 1967, as determined by the President. Such representative historical period shall be the same for all countries and all categories of scissors and shears. The President shall have full authority to determine the share of total imports in any category of scissors and shears which may be supplied by any country to the United States on the basis of historical patterns of such imports, the interests of developing countries, and such other factors affecting trade in such categories as he deems appropriate.

SEC. 5. After one hundred and eighty days after the date of the enactment of this Act, the total quantity of imports in each category of scissors and shears not subject to an agreement or agreements negotiated pursuant to section 4 or to proclamations issued under section 5 shall be limited by category as follows:

(a) During the balance of the year in which this section becomes effective, the total quantity of any such scissors and shears which may be entered, or withdrawn from warehouse, for consumption shall be equal to that proportionate share of the average annual imports of scissors and shears for the years 1962-1966 which the number of days remaining in the calendar year bears to three hundred and sixty-five.

(b) Beginning with the calendar year following the year in which this Act becomes effective, the total quantity of any such scissors and shears which may be entered, or withdrawn from warehouse, in that year and each succeeding calendar year, shall be equal to the average annual quantity of such articles entered, or withdrawn from warehouse, for consumption during the given calendar years 1962-1966, *Provided, however*, That the total quantity of such scissors and shears in any category shall be increased or decreased in each succeeding calendar year by a percentage corresponding to the percentage increase or decrease (if more than 5 per centum) in the United States consumption in such category in such calendar year compared with the year previous thereto, except that the amount of such increase in any category which may be entered or withdrawn from warehouse for consumption during any calendar year shall not exceed 10 per centum of the amount of such increase in United States consumption of such category.

(c) The President shall have full authority to determine the share of imports in any category which may be supplied by any country to the United States on the basis of historical patterns of such imports, the interests of developing countries, and such other factors affecting trade as he deems appropriate.

SEC. 6. The President may issue such regulations as may be necessary to carry out the purposes of this Act.

STATEMENT OF HARRY L. MARKS, PRESIDENT, MARKS SPECIALTIES, INC.

This brief is submitted by Harry L. Marks, president of Marks Specialties, Inc., Norwood, Massachusetts, a substantial importer of scissors and shears covered by item number 650.91, a member of the United States Importers' Committee of the scissors and shears industry and a member of the Foreign Trade Committee of the National Retail Merchants Association.

Marks Specialties imports scissors and shears from Brazil and many other countries. Approximately 90% of its total sales are of scissors and shears, falling within the described category.

It has been the publicly expressed policy of our administration in Washington for the past three administrations to assist the underdeveloped countries throughout the world to improve their standard of living and to obtain a fair share of the various international markets. In addition to this, our government has expressed its support for the Alliance for Progress which has for one of its principal objects the development of industrial programs in the Latin American countries so that they will not be totally dependent upon agricultural and mineral production.

Approximately five years ago I travelled to Brazil and, as an unpaid consultant, assisted a scissors factory in Brazil to raise its standards of quality so that it could compete in the various export markets. Up to that time it had never exported one single pair of scissors or shears. In 1963 it began to export scissors and shears to the United States and by 1967 its exports to the United States had grown to the point where the dollar figure amounted to approximately \$150,000.00 and, in addition to this, because of the acceptance of the fine quality in the United States it has been able to export many thousands of scissors and shears to more than ten other countries of the world including Canada, Chile, Mexico, South Africa, Ceylon and even to the birth place of cutlery which is Germany. I had the pleasure of discussing this matter in Rio with Lincoln Gordon who was at that time our American Ambassador to Brazil, and Mr. Gordon expressed the opinion that this was a significant economic development for Brazil and that this would not only create a new source of dollar earnings for Brazil but would also demonstrate the new industrial potential of the country.

The producer of these scissors and shears in Brazil is employing at the present time approximately 3,000 workers at wages that are above the average for the country, but the benefits of this developing business do not accrue only to Brazil and its workers. The benefits to the United States are:

1. The American consumer has a much wider choice in the market than he would have if imports were retarded or made economically prohibitive.

2. The American consumer is able to obtain top quality scissors which would be unavailable from American producers because over 90% of the cost of top quality scissors is represented by hand labor.

3. The American consumer is able to purchase both domestic and imported scissors at competitive, realistic prices because there is a free market and competition forces restraint in the pricing of both domestic and imported scissors and shears.

4. Scissors and shears imports are supplementary to domestic production which is proven by the fact that most of the American producers supplement their American production by their own imports from abroad.

5. Imports have not injured the domestic industry and any investigation into the leading domestic manufacturers will indicate that their volume and profits have constantly been improving. The two largest manufacturers of scissors and shears in the United States are located in Newark, New Jersey and Bridgeport, Connecticut. They each call themselves, "the World's largest manufacturer of shears and scissors." For the past year, each one of them has been shipping the bulk of its orders from three to four months after the receipt of these orders which appears to us a very clear indication that their production is unable to keep up with their sales.

6. The duty on scissors and shears at the present time is \$1.20 per dozen plus 22½% ad valorem which we consider a very high rate of duty and we respectfully suggest to the members of the committee that in view of the above facts that they consider recommending a general reduction in duty in this classification and if they are unable to agree on this suggestion that they consider the suggestion made by spokesmen for the administration not too long ago which was to establish a lower rate of duty for manufactured commodities imported from the developing countries in order to assist them in the development of an industrialized base. This has been one of the major economic objectives of our Government.

We would particularly like to go on record as being strongly opposed to the types of non-tariff barriers such as quotas which have been recently proposed. Senator Ribicoff of Connecticut in Senate Bill #2618 proposed that the import of scissors be limited to the average annual amounts imported in a representative period of three years prior to 1967. He further proposed that if countries refuse to negotiate an agreement to this effect that imports would be limited to the average annual amounts imported in the years 1962 thru 1966.

It is self-evident that this would destroy the scissors industries in developing countries. By the very use of the word developing, we recognize that change is basic. No one who deals with an underdeveloped country assumes that production will be stagnant. The increase of production and the development of increasing markets are a necessary part of dealing with manufacturers in underdeveloped countries.

It is also true that because of the often precarious financial condition of some developing countries the greatest amount of security and confidence are necessary to promote the growth of their exports. It must indeed mystify developing countries throughout the world to find us espousing such programs as the Alliance for Progress on the one hand and on the other hand suggesting quotas which would restrict imports into the United States. Because of this two-sided attitude on the part of the United States, many manufacturers in developing countries are apprehensive about dealing with us. If we are sincerely interested in the welfare of the people of these countries and, ultimately, our own standing in the world, we must commit ourselves to a consistent stand in favor of encouraging developing countries.

Finally, we are attaching to this brief a reprint of an editorial from the Wall Street Journal of November 24, 1967 which we believe expresses our basic philosophy on this manner.

[From the Wall Street Journal, Friday, Nov. 24, 1967]

REVIEW AND OUTLOOK

THE RISING PRICE OF PROTECTIONISM

Britain's devaluation of the pound provides a fresh reason to resist the pleas of the steel, textile and other industries for new import quotas. It points up the fact that a plunge back into protectionism could have repercussions that are not solely economic.

The economic impact alone could be bad enough. In fact it's rather ironic that Congress can resist the Administration's tax surcharge plan and at the same time seriously consider imposing hidden taxes on consumers, taxes paid through the higher prices that import restrictions would bring.

There is, moreover, no getting around the truth that the curbs amount to subsidies to certain favored domestic industries. Either quotas or tariffs tend to distort markets, promote misallocation of resources and lessen the pressures for increasing industrial efficiency.

With the pound's devaluation raising questions about the stability of the dollar, a move to curb imports would also attack what has up to now been the strongest element in America's international accounts, its excess of exports over imports. Other nations would be sure to retaliate with restrictions against exports from the U.S.; some are already planning steps they would take.

Outside the area of pure economics, foreign countries would be likely to regard the import curbs, at this particular time, as a desperate measure to defend the dollar. Their confidence in America's currency, far from rock-solid as it is, would be further weakened.

On a political level, a stepup in international trade warfare—and that's exactly what the protectionists are inviting—would fray the already fragile ties among Western nations. The friendlier the trade relations among countries, the easier it is for them to work together in other endeavors.

Besides the heavy economic costs at home, a new outburst of protectionism could, if pushed far enough, actually weaken our nation's democratic principles.

A system of import quotas, after all, usually does not evolve from any thoughtful, overall study of a nation's economic condition. Instead it grows willy-nilly as one special-interest group after another is able to persuade Government to do its bidding.

Government thus takes on one of the aspects of totalitarianism: Blatant economic discrimination. In a number of countries in recent years, trade favors

have been won not merely by loud and persistent lobbying but by covert payoffs. Such a situation may seem remote for the U.S., but when any Government has valuable privileges to dispense, the danger of corruption cannot be completely dismissed.

Then, too, trade restrictionism can discriminate in favor of certain areas of a country, since a region often specializes in one or more favored products. Canada, for instance, has tried to protect the industries of Ontario and Quebec; this has led to barriers against Canadian exports, making it more difficult for other, raw-material-producing provinces to sell abroad. The result has been, in some degree, disruptive of Canadian unity.

Even so, a move toward protectionism, once started, is often difficult to reverse. Domestic oil producers already are shielded by a quota system; now they would like stronger barriers. The textile industry already has quotas on cotton goods; now it wants to extend them to practically all its products.

Congressmen, being human, can find the pressure pretty heavy. Many of the adverse effects of import quotas are not easy to see, and the impact on consumers is spread over millions of Americans, touching few of them hard enough to get them to fire off letters to their lawmakers. The pro-quota forces, on the other hand, are well-organized and financed and lobbying powerfully.

Members of Congress, however, supposedly represent all the people not a few favored industries. We can only hope they will recognize that protectionism's price, too high in any case, now has become more prohibitive still.

Mr. BURKE. Our next witness will be Mr. William P. Holmes. Mr. Holmes, we welcome you to the committee and you may identify yourself and proceed.

STATEMENT OF WILLIAM P. HOLMES, ATHLETIC GOODS MANUFACTURERS ASSOCIATION

Mr. HOLMES. Mr. Chairman and members of the House Ways and Means Committee, my name is William P. Holmes. I am president of the Wilson Sporting Goods Co., of River Grove, Ill., and am here to represent the Athletic Goods Manufacturers Association. This is an organization with a membership of 55 American companies that produce and market athletic and sporting goods equipment used in all individual participant and team sports activity.

Our industry has suffered severe damage as a result of import competition. In an effort to meet low prices at which imported products are offered, major domestic manufacturers have exhausted every opportunity to mechanize and adopt engineering changes leading to a reduction in cost of labor. The operations in most plants have been subject to continuous study and aggressive and effective automation, wherever possible. Despite high efficiency, the skills and work opportunity for employees in many sporting goods plants have deteriorated due to forced abandonment of manufacture on account of the poor economics involved.

There is no questioning the ability of American manufacturers to effectively compete with foreign producers when conditions are comparable. Differences in living standards, and disparity in labor rates ranging from 300 percent to over 600 percent, however, make this impossible. The futility of our problem can be realized through a better understanding of the high percentage of hand labor on many operations required in the manufacture of sports equipment.

To cite only a few that have suffered substantial losses in employment due to unfair import competition: (1) Hand-sew covers to baseballs and softballs; (2) hand-string tennis and badminton rackets; and (3) hand-lace baseball and softball gloves and mitts.

No machines have ever been made to perform these operations although several hundred thousand dollars has been spent in an unsuccessful attempt to develop them.

Attached are copies of briefs submitted to members of the committee and staff which are condensed reports covering presentations made by three of our industry members to the House of Representatives Committee on Education and Labor at hearings held on October 3, 1966.

They contain much more detailed information than I can present in the limited time allotted to me.

Mr. BURKE. All these briefs will be included. In fact if you want to summarize your statement you may and your entire statement and the entire briefs will be included in the record.

Mr. HOLMES. This is our first opportunity, since that time, to make a further appeal for relief from the constantly increasing flow of imported sports equipment. We fully realize the necessity of world trade and are not advocating curtailment through imposition of excessive rates of duty. Problems involved with foreign countries, if quotas should be established at a level below 1967 figures, are clearly understood as well as their probable retaliation. It is not our desire to eliminate jobs already in existence in many foreign lands where thousands of workers are employed in the manufacture of sporting goods for the American market. It is our sincere belief, however, that their industry should not continue to grow at the expense of the American worker. We are faced with a critical domestic problem in attempting to find suitable work for the unskilled, semiskilled and the hard-core unemployed. Larger companies in our industry have well aware of the absolute need to help solve this problem and are cooperating with the national alliance of businessmen in reaching the goal which has been established. When we look back at the erosion of labor in our industry, caused by the ever-increasing imports, there is great concern for those employees still working.

I can better illustrate this by a review of historical data on three product lines, relating the increase in imports to the loss of jobs for domestic employees. Because of limited time, I will confine my comparisons to a 10-year period extending from 1957 through 1967.

TENNIS RACKETS

	Domestic shipments (quantity)	Imports (quantity)	Total domestic shipments plus imports (quantity)	Percentage of imports to total domestic shipments plus imports
1957.....	631,062	497,342	1,128,404	44.1
1967.....	464,330	1,357,560	1,821,890	74.5
Net change.....	(166,732)	860,218	693,486	30.4

I might mention that there has been a very healthy and substantial growth in tennis primarily as the result of the fine promotional efforts of the American manufacturers and the Athletic Institute. It is sad to note that foreign manufacturers reaped the benefits, with resultant loss of employment to American workers.

An average tennis racket requires approximately 1 hour of direct labor to cover all operations, from the initial woodworking to final finishing and packing. In the period under review, foreign labor hours

of work, therefore, increased by 860,218, which represents the difference between imports in 1957 and 1967. During that time, domestic industry lost the equivalent of 166,732 hours of employment. Estimating that an average employee should work 40 hours per week, for 50 weeks, or 2,000 hours per year, it is easy to compute that foreign industry added 430 employees to their payroll while the domestic manufacturers lost 83. Total tennis racket imports in 1967 provided full time employment for 679 foreign employees while domestic producers had work for only approximately 232.

The picture on baseball gloves and mitts is even worse, as you will note from the following:

BASEBALL GLOVES AND MITTS

	Domestic shipments (quantity)	Imports (quantity)	Total domestic shipments plus imports (quantity)	Percentage of imports to total domestic shipments plus imports
1957.....	3,371,000	149,000	3,520,000	4.2
1967.....	581,549	3,345,490	3,927,039	85.2
Net change.....	(2,789,451)	3,196,490	407,039	81.0

It is readily apparent that there has been little growth in baseball shipments, but that foreign producers have taken over most of the market. All operations involved in the manufacture of average gloves and mitts consume slightly more than 1 hour of direct labor or, to be precise, there is approximately 1.2 hours of work in each unit. Again using 2,000 hours per year as full-time work for an industrial employee, we can determine that in the period under review foreign labor hours of work increased by 3,196,490 units, multiplied by 1.2 or a total of 3,835,788 hours, which divided by 2,000, results in the addition of 1,918 full-time foreign employees. Based on the same method of computation, there were 1,674 American workers displaced as a result of domestic shipments shrinking from 3,371,000 units in 1957 to 581,449 units in 1967.

Total baseball and softball glove and mitt imports in 1967 provided full-time employment for 2,007 foreign employees while domestic producers had work for only 349.

You can see from statistics already cited that imports now account for 74.5 percent of apparent consumption in tennis rackets, and 85.2 percent in the case of baseball gloves and mitts. Now another line of products appears to be marked for foreign invasion, so will briefly review the picture of baseballs and softballs.

BASEBALLS AND SOFTBALLS, LEATHER COVERED

	Domestic shipments (dozens)	Imports (dozens)	Total domestic shipments plus imports (dozens)	Percentage of imports to total domestic shipments plus imports
1957.....	1,498,957	36,971	1,535,928	2.4
1967.....	1,244,806	437,729	1,682,535	26.0
Net change.....	(254,151)	400,758	146,607	23.6

There is the equivalent of 2.17 hours of direct labor needed to produce 1 dozen average grade baseballs or softballs. This means that in

the period under study, foreign employment increased by 541 people, $400,758 \times 2.7$ over 2,000. Domestic employment was reduced by 343, and based on the increasing flow of imported baseballs and softballs in the early months of 1968, it is quite apparent that additional jobs will be lost.

Summarizing, workers displaced in the three product lines mentioned during the review period. Here are the results of workers displaced during the review period. You will note the number of fully employed workers added to foreign payrolls and to compute this we figured a worker would be employed 40 hours a week for 2,000 hours during the year, which means 40 hours for 50 weeks of employment, and in this 10-year period of time there were 2,889 workers added to foreign payrolls. There were 2,100 that lost their jobs in the American market.

Products manufactured	Number of fully employed workers added to foreign payrolls	Number of American workers displaced through loss of work
Tennis rackets.....	430	83
Baseball and softball gloves and mitts.....	1,918	1,674
Baseballs and softballs.....	541	343
Total.....	2,889	2,100

In addition to the 2,100 American factory workers who suffered loss of jobs there were many others engaged in indirect labor operations, as well as clerical and supervisory employees who were also affected. The spillover effects on other industries were also substantial, resulting in loss of employment in tanneries and suppliers of other raw material used in the above products.

To help alleviate problems involving the hard-core unemployed, and young men and women who have had limited schooling that are in need of work, our Government should take whatever steps may be necessary to assist industry in providing gainful employment. Most of the jobs already lost in the sporting goods industry were classified as unskilled, or semiskilled occupations. Employees received in-plant training and many had no previous work experience. They enjoyed learning a new craft and developed pride in their accomplishments, plus a sense of achievement, and the security provided by steady employment with good wages and fringe benefits.

Our society must find an answer to the perplexing problem that creates unrest, rebellion, and defiance of law and order. The uneducated, and those having little schooling, must be treated with dignity and given some assurance that the means of earning an honest living is not an intangible hope, but an immediate possibility. They cannot wait for improved educational benefits, and generally accept charity through welfare provided, with disgust and hatred toward the underlying cause. Part of our problem can certainly be helped through providing work—not welfare.

By stopping the loss of work, and employment in our industry, through control of imports, you can feel assured that a constructive forward step has been taken in solving a major problem.

The sporting goods manufacturers of American should be classified as an essential industry. Their products are used in physical education classes at the elementary, high school, and college level. Organized playground and team activities provide a healthy outlet for youthful energy, with participants gaining physical strength, competitive spirit, and leadership characteristics. Integration becomes an accepted way of life—not a problem.

Athletic equipment is also needed by the armed services for recreational and physical fitness programs. Add to this the need for relaxation, and healthful pursuit of sports activity after retirement age, and you must agree that athletic equipment plays an important role in our society.

We cannot maintain a strong industry unless some assurance of a restraint on imports can be provided through establishment of quotas based on 1967 statistics. In addition to lines covered in this presentation, there have also been losses of employment due to a significant volume of imports in the following products:

Badminton rackets, tennis balls, track shoes, football shoes, and soccer shoes.

Judging from past history, it is reasonable to believe that the annual growth of imports will adversely affect other lines unless quotas are established, based on total imports of all sporting goods equipment in 1967.

We respectfully solicit your support of this proposal.

Mr. Chairman, we greatly appreciate this opportunity of appearing before you.

(The briefs referred to follow:)

IMPACT OF IMPORTS ON DOMESTIC INDUSTRY—BASEBALL AND SOFTBALL GLOVES AND MITTS

Imports of these products which were negligible in 1956 increased substantially each year, until in 1965, approximately 70% of all the baseball and softball gloves and mitts sold in the United States were actually manufactured in Japan. During this period, some domestic producers were forced out of business, and all others drastically curtailed production in line with reduced sales.

The following table clearly shows a historical picture of annual losses to American industry resulting from uncontrolled foreign invasion:

BASEBALL AND SOFTBALL GLOVES AND MITTS: SALES BY DOMESTIC PRODUCERS, IMPORTS, AND APPARENT CONSUMPTION IN THE UNITED STATES, 1956-65

Year	Sales by domestic producer (in thousands)	Imports (in thousands)	Apparent consumption ¹ (in thousands)	Ratio (percent) of imports to—	
				Apparent consumption	Sales by domestic producers
1956.....	3,314	(²)	3,314	-----	-----
1957.....	3,371	149	3,520	4.2	4.4
1958.....	3,226	533	3,759	14.2	16.5
1959.....	2,957	1,271	4,228	30.1	43.0
1960.....	2,685	2,412	5,097	47.3	89.8
1961.....	2,313	2,800	5,113	54.8	121.0
1962.....	2,207	3,102	5,309	58.4	140.6
1963.....	1,965	3,012	4,977	60.5	153.3
1964 ³	1,512	2,738	4,250	64.4	181.1
1965 ³	1,028	3,481	4,509	69.9	338.6

¹ No allowance is made for U.S. exports, which are small.

² Not available. Imports are known to have been smaller in 1956 than in 1957.

³ Sales by domestic producers taken from Athletic Goods Manufacturers Association Annual Census Report prepared by Ernst & Ernst.

Source: Sales, 1956-60—U.S. Tariff Commission report of May 1961. Sales, 1961-63—Estimated based on sales reported by producers believed to account for 95 percent of total U.S. output. Imports, 1957-59—Estimated by Tariff Commission on the basis of a special analysis of entry papers prepared by the Bureau of the Census. Imports, 1960-65—From official statistics of U.S. Department of Commerce.

On February 21 and 23, 1961, the U.S. Tariff Commission held public hearings under section 7 of the Trade Agreements Extension Act of 1951, as amended, to determine whether baseball and softball gloves, including mitts, classifiable under paragraph 1502 of the Tariff Act of 1930 are, as a result in whole or in part of the customs treatment reflecting the General Agreement on Tariffs and Trade, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

Our industry presented testimony which conclusively proved serious injury had already been sustained and on May 1, 1961, the Tariff Commission reported to the President and recommended that the existing 15 per cent duty on baseball gloves and mitts be increased to a duty of 30 per cent ad valorem. Commissioners Schreiber and Sutton did not concur with this recommendation as they felt it did not go far enough in providing badly needed relief to a suffering industry. They recommended an increase of duty to 45 per cent ad valorem.

On March 19, 1962, the President turned down the Tariff Commission recommendation. The President indicated that he was relying at least partially on the 1.9 million voluntary quota that Japan had established, in denying a tariff increase to the domestic industry.

The self-imposed voluntary quota set by Japan in 1961 was established to mollify those favoring a tariff increase and quota on baseball gloves. In later years, they unilaterally increased the original "quota" but their failure to honor this commitment can best be determined by reviewing the facts:

JAPANESE IMPORTS OF BASEBALL GLOVES TO THE UNITED STATES AS COMPARED WITH ANNOUNCED VOLUNTARY QUOTA

Quota year	Announced quota	Actual imports from Japan
	(millions of units)	(millions of units)
Apr. 1, 1961 to Mar. 31, 1962.....	1.9	2.8
Apr. 1, 1962 to Mar. 31, 1963.....	2.1	3.2
Apr. 1, 1963 to Mar. 31, 1964.....	2.3	2.8
Apr. 1, 1964 to Mar. 31, 1965.....	2.5	2.7
Apr. 1, 1965 to Mar. 31, 1966.....	2.5	3.7

Source: Imports, official statistics of the U.S. Department of Commerce. Japanese voluntary quota from foreign service dispatch No. 166, Kobe, Mar. 2, 1962, and Department of State Airgram Kobe, Nov. 7, 1963.

We feel that the Japanese should be brought to account for this misrepresentation and be compelled to comply with the original 1.9 million quota on which the President relied and which they have never honored.

Imports—almost entirely from Japan—have skyrocketed from practically zero in 1956 to a current rate of about 3.5 million annually. In the same period of time domestic sales have declined from 3.3 million units to slightly over 1 million. Some domestic manufacturers have gone completely out of the glove and mitt business, and those still in existence are operating at a greatly curtailed level.

Employment is at an all-time low and the future looks pretty bleak for those still working. It appears inevitable that they, too, will eventually share the fate of hundreds of other glove and mitt workers whose jobs have already been lost to foreign products.

Industries supplying glove and mitt manufacturers have also suffered. One of the principal suppliers of leather, a Chicago tanner, saw his labor force drop from over 200 employees to under 100. His experience has been shared by other tanneries in different parts of the country.

The Japanese are able to buy hides in the United States (they estimate that 80 per cent of their hides are of U.S. origin), tan the hides into leather, make gloves out of the leather, ship the gloves back to the U.S. and still undersell the U.S. product by at least 50%. Two years ago, in testimony presented to the Trade Information Committee, we disclosed an average rate per hour of production employees in a U.S. tannery of \$2.34 to which 60¢ per hour had to be added to cover fringe benefits including paid holidays, vacations, hospitalization, insurance and pensions.

Tannery workers in Japan are reported to earn less than 25¢ per hour for a 70 hour week.

Suppliers of binding, welts, laces, jute and wool padding used in the manufacture of baseball gloves and mitts have also suffered. Employment has dropped continuously for ten years and the remaining industry could expire unless help is received.

The feeling of futility that has existed in the glove and mitt industry can best be shown by quoting from a letter sent in response to a request for information from Mr. James D. Williams, an attorney representing us in our appearance before the U.S. Tariff Commission in 1964, to J. A. Dubow Sporting Goods Corp. This concern, one of the oldest in the business, had taken a very active part in proceedings before the Tariff Commission in May, 1961. Their letter reads as follows:

"The Japanese have put us out of business.

"I have neither the time nor the inclination nor do I wish to spend the money to have a man dig into our past records to come up with all the information required in this brief.

"All the people that worked for us in baseball gloves are gone. This was approximately 90 employees who had been with us anywhere from 15 to 40 years.

"I wish you luck and hope you can win your case. However, I believe it is strictly a case of drop dead and hope your next life will be better."

In addition to jobs lost within the continental United States, there have also been severe losses in Puerto Rico. The largest baseball glove and mitt producer in that country was forced to close down because it could no longer compete with Japanese made products. The U.S. concern owning this facility tried desperately to continue supplying Sears Roebuck with American made products, but even the relatively low labor rates in Puerto Rico could not compete with the almost unbelievable pay received by cottage industry workers in Japan, where most of the import gloves are made. This one plant in Puerto Rico released 273 employees, and others in a Ponce tannery were also affected.

Domestic manufacturers are firm believers in the necessity of promoting economic health throughout the world. We are in sympathy with the motives and the goals for economic development for the underprivileged people of the world, which has been the guiding influence of our foreign policy. We honestly feel, however, that in our particular industry, the pendulum has been swung too far. American industry is not prepared to meet foreign competition on an equal basis because of the great difference in wages and our standards of living. We have just cause for complaint, and intend to continue fighting for our existence. We cannot stand idly by and see hundreds of jobs for American workers eliminated while importers bring in Japanese made baseball gloves and mitts to be used by American boys in playing the American game of baseball.

ATHLETIC GOODS MANUFACTURERS ASSOCIATION,
By: W. P. HOLMES,
President, Wilson Sporting Goods Co.

IMPACT OF IMPORTS ON DOMESTIC INDUSTRY TENNIS RACKETS

My testimony today is the story of an industry trying desperately, but unsuccessfully, to survive in the face of constantly increasing import competition. The story goes back many years, but I will start by testimony from July 28, 1960. On this date I had been requested to represent the tennis racket manufacturers before the Tariff Commission in the "peril point" investigation on tennis rackets being held at that time because tennis rackets appeared in paragraph 1502 as one of the products to be considered for possible further United States tariff reduction under the General Agreement on Tariffs and Trade (GATT).

I will quote from my statement to the Tariff Commission at that time, "A flood of imports on tennis rackets from low wage paying foreign countries is slowly strangling our domestic industry. In 1951, approximately 27 per cent of the tennis rackets sold in this country were imported. In 1959, 59 per cent were imported—an increase of over 100 per cent in nine years."

"The main cause of inability of domestic manufacturers to compete with foreign manufacturers is the vast difference in factory wages. For example, factory wages in this country are more than 600 per cent higher than factory wages in Japan, which is the major foreign supplier. Our factory wages are far higher than any other country producing tennis rackets. Because of the relatively high

labor content of tennis rackets, our industry is particularly vulnerable to low wage foreign competition."

"As a result of import competition, in spite of the increased size of the total domestic tennis market, employment in the industry has dropped over 50 per cent since World War II. These trends point dangerously to an eventual washout of the American industry. We believe that the "peril point" in our industry has long since been reached and passed. We request that the "escape clause" be invoked as quickly as possible and that tariffs be raised to the point where the domestic industry has some chance to survive."

Upon completion of the hearing, the United States Tariff Commission called an "escape clause" hearing on tennis rackets October 20, 1960. I quote from this notice of investigation issued by the United States Tariff Commission:

"Having found in the course of investigation No. 3-9 under section 3 of the Trade Agreements Extension Act of 1951, as amended (25 F.R. 4779), that increases in duties or additional import restrictions on certain of the articles described below are required to avoid serious injury to the domestic industry producing like or directly competitive articles, the United States Tariff Commission, in accordance with section 3(b)(1) of the said act, and upon its own motion, instituted an investigation on the 20th day of October 1960, pursuant to section 7 of the said act, for the purpose of determining whether the articles described below are, as a result, in whole or in part, of the customs treatment reflecting the concessions granted thereon under the General Agreement on Tariffs and Trade, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products."

The "escape clause" hearing was duly held on February 14, 15, and 16, 1961, and after 284 pages of testimony as recorded in the "official report of proceedings in the matter of hearing on tennis rackets, investigation No. 7-96." The Tariff Commission announced on April 19, 1961, that it had terminated without formal finding 'escape clause' investigation No. 7-96.

In a report released that day explaining its reason for terminating the investigation, the Commission stated that. "It was not practicable, pursuant to section 7(e) of the Trade Agreements Extension Act of 1951, as amended, to 'distinguish or separate' the operations of the producing organizations involving tennis rackets and frames as a separate industry for the purpose of the 'escape clause.'"

However, Commissioners Schreiber and Sutton dissented from the Tariff Commission's action terminating the investigation. I quote in part from their dissenting statement:

"We, Commissioners Schreiber and Sutton, consider the action of the majority terminating the investigation without findings on the merits to be wholly unwarranted and without valid support in reason or law. In our opinion, the facts obtained by the Commission are ample for purposes of making findings on the merits, and, accordingly, we find, on the basis of considerations hereinafter specified, that the tennis rackets and tennis racket frames involved in this investigation are, as a result, in part, of the customs treatment reflecting the concessions granted thereon under the General Agreement on Tariffs and Trade, being imported into the United States in such increased quantities, both actually and relative to domestic production, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products."

In concluding their dissent the Commissioners made the following statements: "Between 1956 and 1960, imports of tennis rackets and frames increased 127 per cent, whereas domestic production declined 21 per cent and sales of domestic rackets fell 14 per cent. In 1960, imports were equivalent to 204 per cent of domestic production, compared with 71 per cent of domestic output in 1956. In 1960, domestic producers supplied only 33 per cent of total U.S. consumption compared with 57 per cent in 1956. The number of production workers at domestic plants was 38 per cent less in 1960 than in 1956; over the same period man-hours declined 30 per cent and total wages paid decreased 19 per cent. A recent factor in the deteriorating position of the domestic industry has been the rapid growth in imports of high quality rackets which are being sold at destructively low prices in comparison with prices for comparable domestic rackets. In view of the facts set forth above, we regard the failure to conclude the instant investigation, in-

cluding a finding as to serious injury, as a failure to discharge the duty imposed on the Commission by statute."

It is my judgment that the dissenting Commissioners have stated the industry's position strongly and well.

To bring the industry picture up-to-date, in the five-year period since then, the following developments have occurred:

1. The domestic tennis racket market has increased from 1,419,000 rackets in 1960 to 2,152,000 rackets in 1965, an increase of 53 per cent during this five-year period.

2. In the face of the rapidly expanding market, domestic production has decreased from 450,000 rackets to 393,000, a decrease of 17 per cent.

3. Of the six domestic producers left in 1960, three have succumbed. A. G. Spalding and Bros., Inc., of Chicopee, Massachusetts, by far the largest, closed down their racket manufacturing department and went 100 per cent import, with factories in Ireland and Belgium. The Magnan Racket Corporation of North Attleboro, Massachusetts, and the Cortland Racket Company of Cortland, New York, have both been liquidated.

4. Imports have increased from 969,000 rackets to 1,759,000, an increase of 81 per cent. It should be noted that the increase of 890,000 rackets during this period is more than twice the total domestic production in 1965.

5. The percentage of racket imports to total domestic market has increased from 68 per cent in 1960 to 82 per cent in 1965.

In the face of these discouraging statistics, the industry believes that the situation has deteriorated far beyond the point where any increase in duties would solve the domestic industry's problem. We, therefore, strongly recommend a system of unit quota control over imports of tennis rackets.

ATHLETIC GOODS MANUFACTURERS ASSOCIATION,
By: TYLER B. DAVIS, *President, Bancroft Racket Co.*

U.S. PRODUCTION AND IMPORTS—TENNIS RACKETS AND FRAMES

[In thousands of units]

	Imports			Production	Quantity	Apparent consumption—percent imports are of consumption
	Rackets	Frames	Total			
1950.....	147	25	172	-----	-----	-----
1951.....	133	53	186	-----	-----	-----
1952.....	100	50	150	-----	-----	-----
1953.....	120	94	214	-----	-----	-----
1954.....	255	127	382	-----	-----	-----
1955.....	349	106	485	546	1,031	47
1956.....	311	115	426	668	1,094	39
1957.....	391	106	497	570	1,067	47
1958.....	487	104	631	557	1,188	53
1959.....	722	151	873	603	1,476	59
1960.....	885	84	969	450	1,419	68
1965.....	1,631	128	1,759	393	2,152	82

Source: Imports, Official Statistics of Department of Commerce; production, Reports of Domestic Producers.

IMPACT OF IMPORTS ON DOMESTIC INDUSTRY, TENNIS BALLS

Four plants manufactured tennis balls in this country until 1950, at which time one plant discontinued production. One other plant removed its operation to England in 1958. Today, two plants manufacture domestically—A. G. Spalding in Chicopee, Massachusetts, and General Tire in Jeannette, Pennsylvania.

It is estimated that 40% of the cost of a tennis ball goes to wage earners because the total cost includes wages paid in connection with specialized woven wool and nylon cloth for covers, tin-plated steel for millions of pressure cans, folding boxes and corrugated cartons, and many other materials either mined

or of chemical manufacture. Accordingly, any adverse effect of diminishing production and employment will not be confined to direct operations in the manufacture of tennis balls but will "spill-over" to other supply industries.

To achieve a long-wearing, high quality felt for tennis ball covers, a blend of imported and domestic raw wools is required. The foreign wools used therein come from New Zealand where favorable grazing conditions produce long, strong fibers. The impact duty on this wool into the United States is 24¢ per pound. European manufacturers enjoy an advantage because this same wool enters their countries duty free. No comparable wool is grown in the United States. Domestic growers would also be affected if this felt was no longer made in this country as substantial quantities of high quality United States grown wool is also used.

SOURCE AND WAGE INFORMATION ABROAD

The United Kingdom, on a most favored rate, supplies approximately 84% of tennis ball imports and is by far the chief supplier of U.S. imports of tennis balls. Currently United Kingdom labor rates, including fringe benefits, on tennis ball operations average \$1.00 to \$1.10 per hour, whereas U.S. costs average \$3.25 to \$3.50 per hour, including fringe benefits. This calculates to one-third of the labor rate in the United States.

Sweden, also on a most favored rate, with substantially lower labor costs than in the U.S., accounts for about 12.5% of the imports.

Czechoslovakia, despite a 30% ad valorem duty, is able to undersell domestically manufactured merchandise by a considerable margin and accounts for about 1.2% of the imports.

EXPORTS

Exports are practically nil except to certain United States Government installations and, additionally, to Mexico City where a special low internal pressure ball is needed to meet rebound characteristics at the higher altitudes. Some foreign manufacturers do not manufacture a ball for this particular purpose.

A condensed record of tennis ball imports and their relationship to domestic sales during the past nine years is submitted for the record.

CONCLUSIONS

Evidence is quite persuasive that—

Imports are not needed to provide the benefits of competition in the domestic market, as competition is already exceptionally keen.

Imports have been aimed at markets already developed through the promotional efforts and expenditures of the domestic industry and under no circumstances have they (importers) assisted in creating new markets among the youth of this country.

Imports show no signs of declining and the trends of the last ten years, if permitted to continue, would have a very far reaching *adverse* effect on employment in tennis ball and supplier plants and, therefore, no consideration can be given to expanding facilities and creating new American jobs.

Excess capacity prevails *overseas* now, with the exception of Japan. Should those countries having extra capacity, have troubles in their own markets, or encounter any weakening in demand, they will push harder for distribution in the United States where they already have easy access.

In view of the above, we should like to respectfully suggest that now is the time for Congress to launch a coordinated import control plan for all physical fitness related goods, not alone tennis, which will in effect retain these industries in America and thereby reverse the decay which is readily apparent, based on the statistics accompanying this and other athletic goods reports being submitted to you this morning.

ATHLETIC GOODS MANUFACTURERS ASSOCIATION,

By: P. C. MATHEWSON,

Manager, Pennsylvania Division, General Tire and Rubber Co.

LAWN TENNIS BALLS

Year	Domestic shipments (dozen)	Imports (dozen)	Total, domestic shipments plus imports (dozen)	Percentage of imports to total domestic shipments plus imports (percent)
1957.....	591, 032	145, 919	736, 951	19. 8
1958.....	630, 018	154, 173	784, 191	19. 7
1959.....	747, 976	266, 342	1, 014, 318	26. 3
1960.....	746, 415	341, 059	1, 087, 474	31. 4
1961.....	689, 999	348, 372	1, 038, 371	33. 5
1962.....	880, 185	370, 373	1, 250, 558	29. 6
1963.....	878, 815	399, 820	1, 278, 635	31. 3
1964.....	977, 849	494, 875	1, 472, 724	33. 6
1965.....	1, 044, 748	656, 541	1, 701, 289	38. 6

Source: Figures for sales by domestic producers taken from the Athletic Goods Manufacturers Association annual census report which represents about 85 percent of domestic shipments; imports from Official Statistics of the U.S. Department of Commerce, Foreign Trade Division, Bureau of the Census.

Mr. BURKE. Thank you, Mr. Holmes. We appreciate your bringing these charts here. They are very graphic and apparently indicate that the foreign producers are taking over the American market in your industry.

Are there any questions?

Mr. BUSH. I have one personal question as a tennis player. How much of that import increase is due to those steel rackets?

Mr. HOLMES. There is none due to a steel racket. A steel racket is a recent innovation on the part of the American manufacturer.

Mr. BUSH. Aren't they mostly made in France, those steel frames?

Mr. HOLMES. The steel racket retails at \$40 strung with nylon, and \$50 with gut; and there is a very limited segment of the market for this.

Mr. BUSH. Aren't those French? I thought they were French patented, or something like that.

Mr. HOLMES. It so happens that the company I am with actually produces the steel racket; and all of the steel frames are made domestically.

Mr. BUSH. I got Wilson's, but I thought somebody told me they were patented in France.

Mr. HOLMES. We operate under a French license.

Mr. BUSH. That is domestic production?

Mr. HOLMES. Yes; it is.

Mr. BUSH. It was excellent testimony, Mr. Chairman.

Thank you.

(The following statement was received, for the record, by the committee:)

STATEMENT OF THE SPORTING ARMS & AMMUNITION MANUFACTURERS' INSTITUTE,
BY ROBERT C. ZIMMER, COUNSEL

I. SUPPORT OF QUANTITATIVE RESTRICTIONS ON IMPORTS OF SPORTING ARMS AND
AMMUNITION

The Sporting Arms and Ammunition Manufacturers' Institute's (SAAMI), New York, N.Y., statement in support of quantitative restrictions on imports of sporting arms and ammunition is submitted on behalf of the following U.S. manufacturers, who together produce over 75 percent of all American sporting shoulder arms and approximately 95 percent of all sporting ammunition:

Colt's Firearms Division (Colt Industries, Inc.).

E. I. du Pont de Nemours & Company, Inc.

Federal Cartridge Corp.

Hercules Inc.

The High Standard Mfg. Corp.

Ithaca Gun Company, Inc.

O. F. Mossberg & Sons, Inc.

Remington Arms Co., Inc.

Savage Arms (Emhart Corp.).

Winchester-Western Division (Olin Mathieson Chemical Corp.).

During 1967, sporting arms and ammunition imports (TSUS Nos. 730.1500 through 730.9100) were 13.5 percent of domestic production. For the past ten years imported sporting arms and ammunition have more than tripled their share of the United States market. The domestic industry's essentiality to the national security and its importance to the communities in which its manufacturers are located require that the Congress take affirmative action to prevent the economic injury additional import increases are certain to bring.

The domestic sporting arms and ammunition industry's steadily increasing balance of trade deficit contributes to the serious U.S. balance of payments problem. We would hope that the Congress would recognize the balance of payments benefits to be obtained by limiting imports of sporting arms and ammunition.

Because the tariff reductions negotiated during the Kennedy Round have already resulted in a 10 percent reduction in pre-January 1, 1968 duties, and will ultimately result in halving the pre-Kennedy Round tariffs for all significant sporting arms and ammunition tariff categories, SAAMI believes that quantitative restrictions on imports of these products are both necessary and desirable. We suggest that the Congress pass legislation to limit sporting arms and ammunition imports to an historical share of the domestic market during a recent base period. In addition, the Congress should direct the Administration to consult with our principal foreign trading partners with a view toward relieving the United States from implementing the final four stages of the U.S. tariff reductions negotiated during the Kennedy Round for import sensitive industries, such as sporting arms and ammunition.

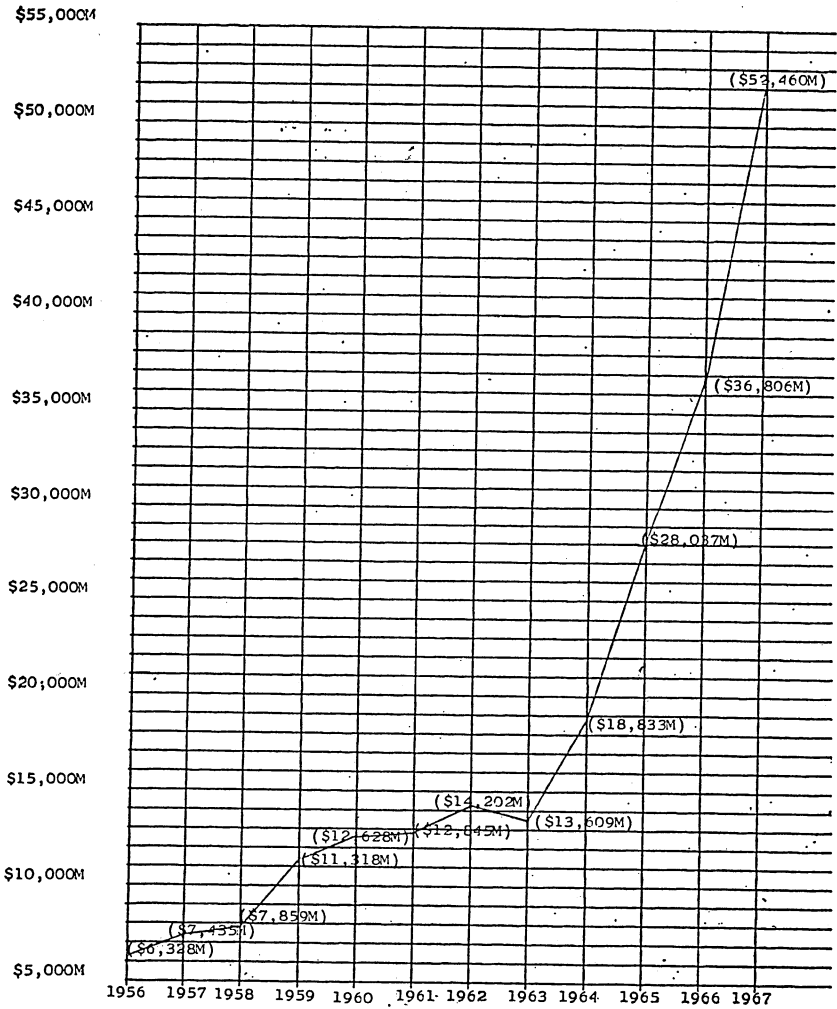
II. IMPORT TRENDS IN SHOULDER ARMS AND AMMUNITION FOR THE PERIOD FROM 1963 TO 1967

Between 1963 and 1966, the dollar value of imports of shoulder arms and ammunition has increased 169 percent from \$13,609,000 to \$36,589,674. In 1967 alone, imports increased by 40 percent over 1966 to \$52,458,789. (See chart 1.) This increase depicts the trend of increasing imports, applying pre-Kennedy Round rates of duty, without considering the additional increases to be experienced solely because of the Kennedy Round reductions in present U.S. tariffs.

Not only is the total volume of imports markedly increasing, so too is imports' share of the domestic shoulder arms market, computed by comparing the value of imports to total sales in the United States. From a share of 9 percent in 1963, it climbed to 11 percent in 1964, and reached 16.2 percent in 1967. (See Appendix, Exhibit 1.)

This increase trend in total sporting arms and ammunition imports and in imports' share of the domestic market indicates not only that present duties furnish a relatively small trade barrier, but also shows that the domestic industry faces a serious threat to its competitive position in world markets for shoulder arms and ammunition. These facts portend economic difficulties not only for the domestic manufacturers and their employees, but also for the economy of the regions in which these manufacturers are located.

CHART 1
IMPORTS OF SPORTING ARMS & AMMUNITION



Source: Census Data

III. SPECIFIC SPORTING ARMS CATEGORIES

A. Imports of Rifles and Shotguns

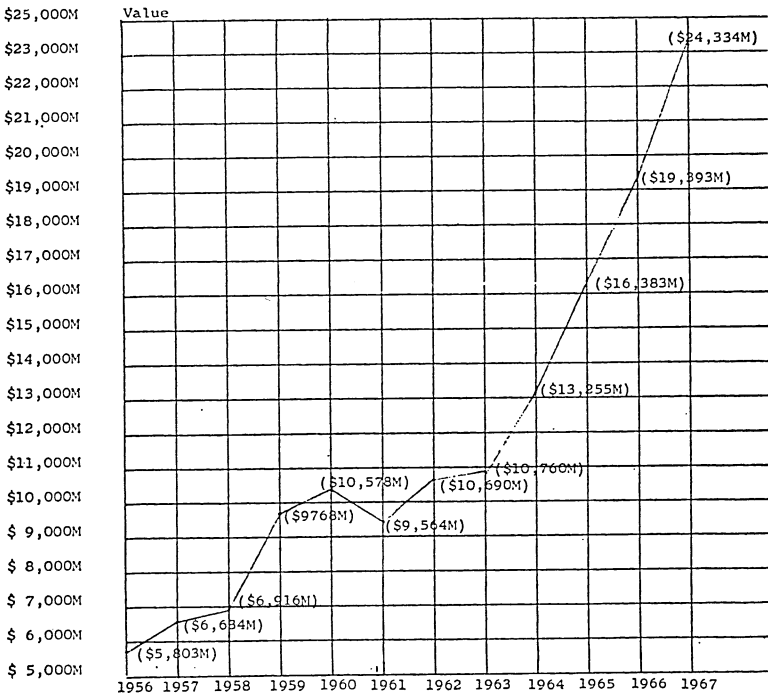
During 1966 and 1967, imports of rifles and shotguns (as depicted in chart 2) increased substantially above 1964 levels. By the end of 1967, total rifle and shotgun imports increased over $3\frac{1}{2}$ times from the 1956 level to \$24,336,408.

1. *Rifle Imports.*—Imports of rifles have increased from a 1964 level of \$3,400,000 to over \$5,500,000 in 1967, continuing the steady upsurge from the 1958 level of only \$1,431,000. (See Exhibits 2 and 3.)

2. *Shotgun Imports.*—In no sector of the shoulder arms industry is the need for maintaining adequate tariffs better demonstrated than in the shotgun segment. Here it is clear that the pre-Kennedy Round 16 percent *ad valorem*¹ duty was a relatively ineffective barrier to imports. From a recent low of 107,000 units and \$6,708,000 value in 1961, the importation of shotguns into the U.S. has climbed to 192,000 units in 1966, with a value of \$14,300,000. During 1967, shotgun imports were approximately 221,000 units, valued at over \$16,300,000. (See Appendix, Exhibits 4 and 5.) Almost all of this total is accounted for by shotguns valued at over \$50. (TSUS Nos. 730.4530, 730.4540, 730.5900.)

¹ Shotguns value over \$50 each now bear a straight 14 percent *ad valorem* duty; those valued at \$25 to \$50 are assessed at \$1.83 each + 9 percent *ad valorem*; lesser priced shotguns have a \$0.50 to \$1.80 each rate + 15 or 13 percent *ad valorem*.

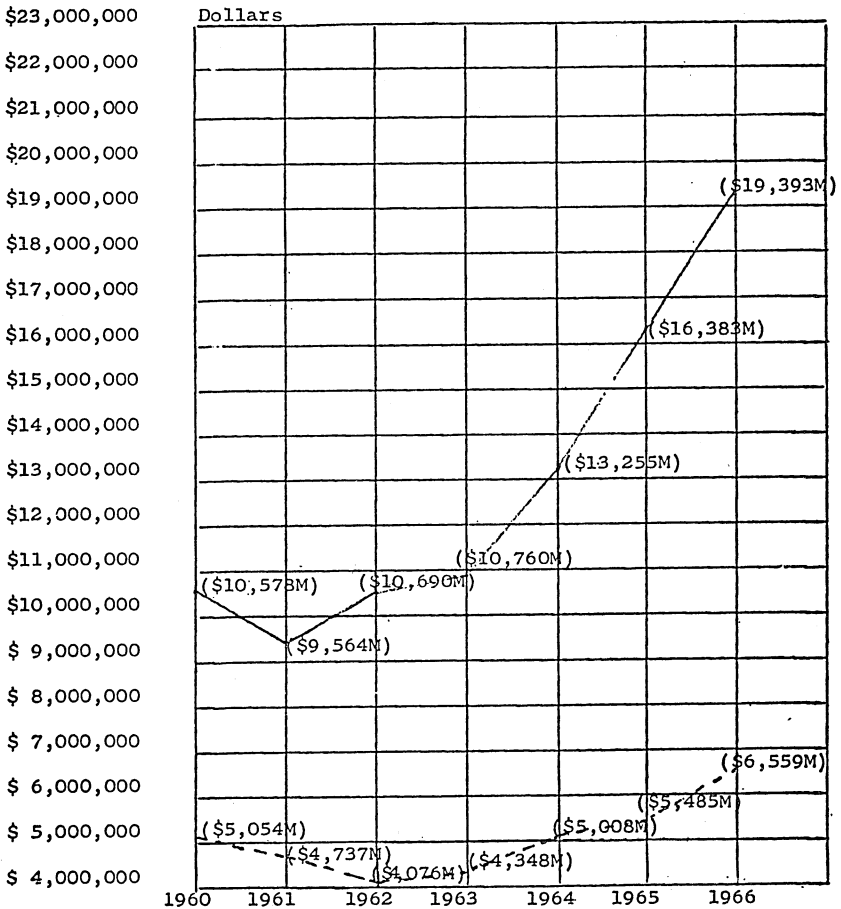
CHART 2
IMPORTS OF RIFLES AND SHOTGUNS



Source: Census Data

B. U.E. Exports of Rifles and Shotguns

Compared to the volume of rifle and shotgun imports, U.S. exports of these items seem insignificant. (See chart 3.) The largest source of U.S. rifle and shotgun imports is the Common Market (EEC), which accounted for two-thirds of the total of \$19,393,000 imports in 1966. By comparison, United States manufacturers' exports to the Common Market were very small, with a total in 1965 of \$782,608, dropping slightly in 1966 to \$768,769. The largest foreign market for United States shoulder arms exports over the years has been Canada. In 1966, of the total rifle and shotgun exports of \$6,559,074, over \$2,930,000 went to Can-

*CHART 3*IMPORTS & EXPORTS OF SHOULDER ARMS

Imports - Solid Line _____

Exports - Broken Line -----

Source: Census Data

ada. In rifles and shotguns alone, the United States experienced an unfavorable trade balance of over \$15,000,000 in 1967, thereby increasing our balance of payment deficit and substituting foreign employment for the jobs of American workers.

C. Comparison of Wage Rates

The accompanying charts of wage rates for the Common Market Countries (EEC) and the U.S. show one of the production cost advantages enjoyed by the domestic industry's foreign competitors. In general, sporting arms manufacture is relatively labor intensive, especially in the areas of stock and barrel finishing. We respectfully submit that the answer is not to lower wages of 12,000 workers employed by the domestic industry or to abolish their jobs due to import increases.

IV. CONCLUSIONS

A. Current U.S. duties on sporting arms and ammunition have permitted alarming increases of imports during 1965, 1966, and 1967.

B. The impact of the pre-Kennedy Round increases in imports of sporting arms and ammunition has resulted in imports capturing a disproportionately large share of the domestic market, contributing toward the current serious balance of payments deficit, and inhibiting the natural growth of domestic producers. Because all significant U.S. sporting arms and ammunition tariffs were halved during the Kennedy Round, we realistically expect that additional import increases will result in severe economic dislocations throughout the domestic industry. If imports capture more than their present 13.5 percent as compared to domestic sales, both company investment and workers' jobs will be lost.

C. To avoid the continued deterioration of the United States balance of payments, and to insure the economic viability of the domestic sporting arms and ammunition industry, the Congress should enact legislation for the purpose of limiting sporting arms and ammunition imports to an historical share of the domestic market during a recent base period, such as 1965-1967, including a proportionate share in any consumption increases which may occur in the future. In addition, the Congress should direct the Administration to enter into negotiations with our principal foreign trading partners with the objective of relieving the United States from making the remaining duty reductions for which we are committed under the Kennedy Round Agreement, in product areas that are particularly sensitive to imports. The domestic sporting arms and ammunition industry would be an appropriate beneficiary of such international negotiations, thereby reversing the current trend toward deteriorating U.S. trade balances in import sensitive product areas.

EXHIBIT 1

INDUSTRY TRENDS

[Dollar amounts in millions]

	Industry sales ¹	Exports ²	Imports ³	Imports versus industry sales (in percent)	P. & R. sales	P. & R. imports	Imports versus P. & R. sales (in percent)
1967.....	\$261	\$9.6	\$42.2	16.2	\$48.1	\$12.7	26.4
1966.....	238	8.9	25.6	10.8	33.8	8.9	26.3
1965.....	205	7.8	20.9	10.1	25.3	5.7	22.5
1964.....	171	7.3	18.8	11.0	20.0	3.8	19.0
1963.....	151	5.8	13.6	9.0	17.3	2.6	15.0
1962.....	142	5.6	13.7	9.6	17.0	.....	.....
1961.....	135	6.7	13.0	9.8	16.3	.....	.....
1960.....	137	6.5	12.5	9.1	18.4	.....	.....
1959.....	141	6.0	11.0	7.8	18.2	.....	.....
1958.....	114	5.6	7.8	6.6	19.2	.....	.....
1957.....	142	6.8	7.2	5.0	15.5	.....	.....
1956.....	140	6.8	6.2	4.4	13.2	.....	.....

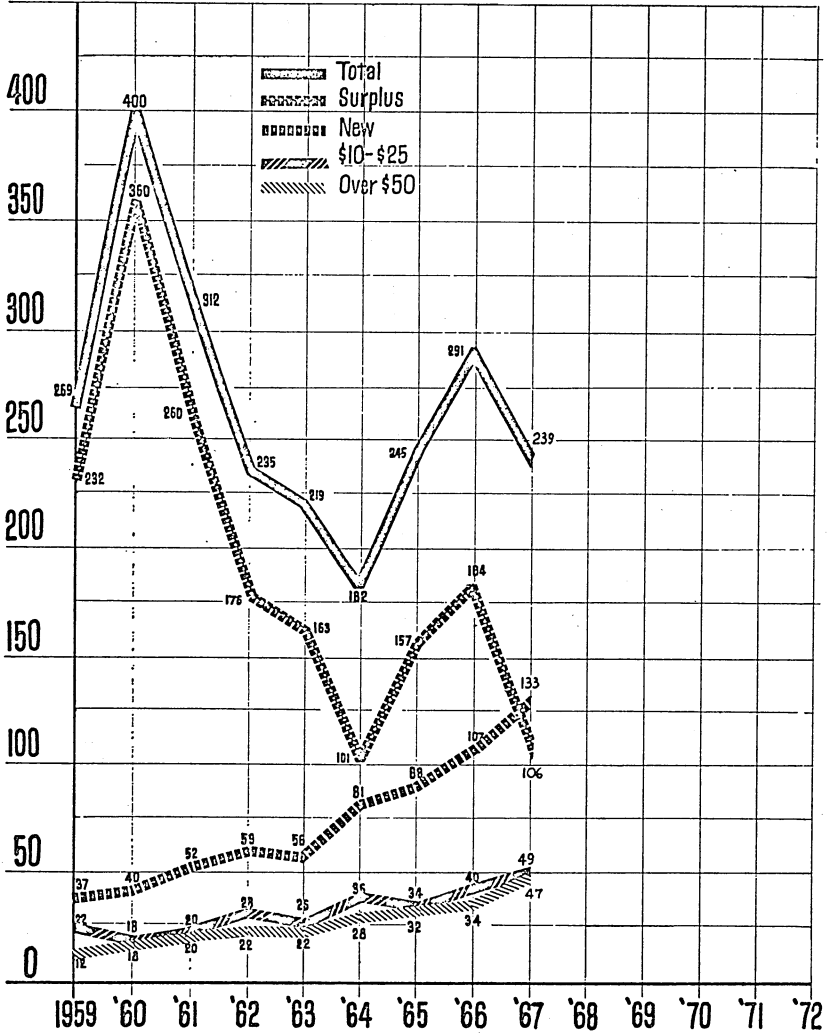
¹ Includes sales of imports and is based upon excise tax collections. Component sales and other items not subject to excise are not included.

² Exports of metallics excluded in order to place statistics on same basis as years prior to 1965. In 1967, metallics exports were \$3,195,000 and in 1966, \$3,399,000.

³ Does not include imports of parts.

Rifle Imports-UNITS

Thousands of units



Rifle Imports - DOLLARS

\$millions

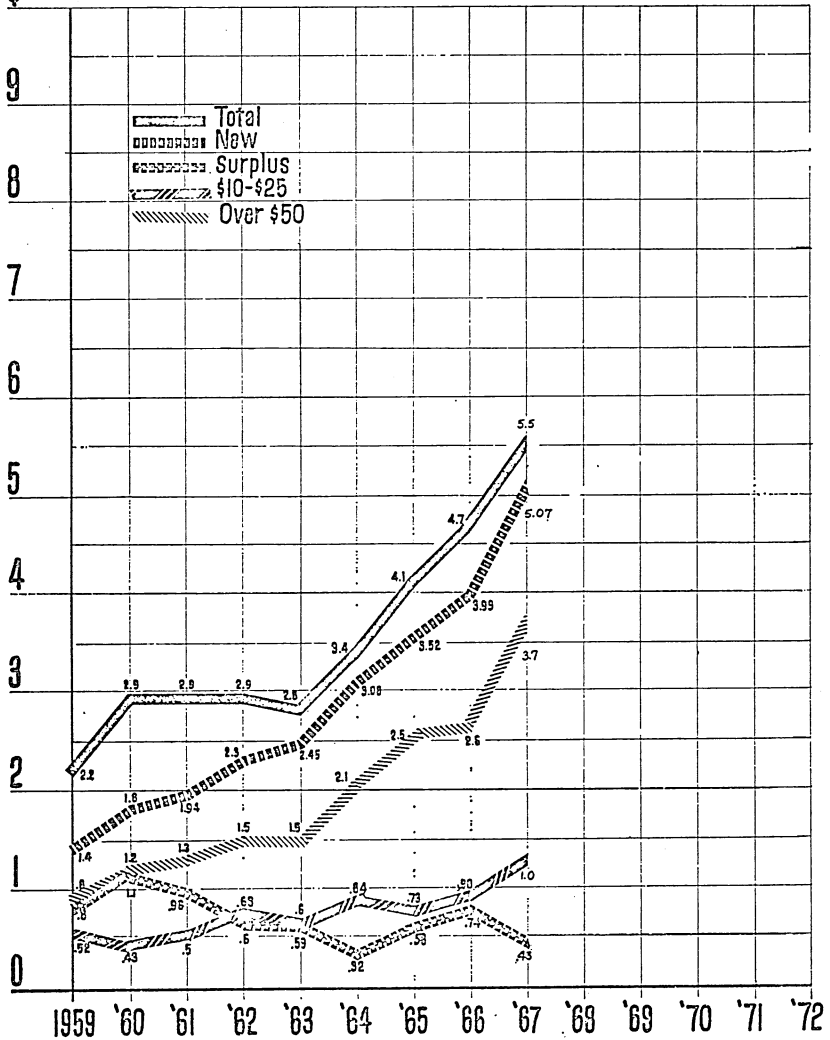
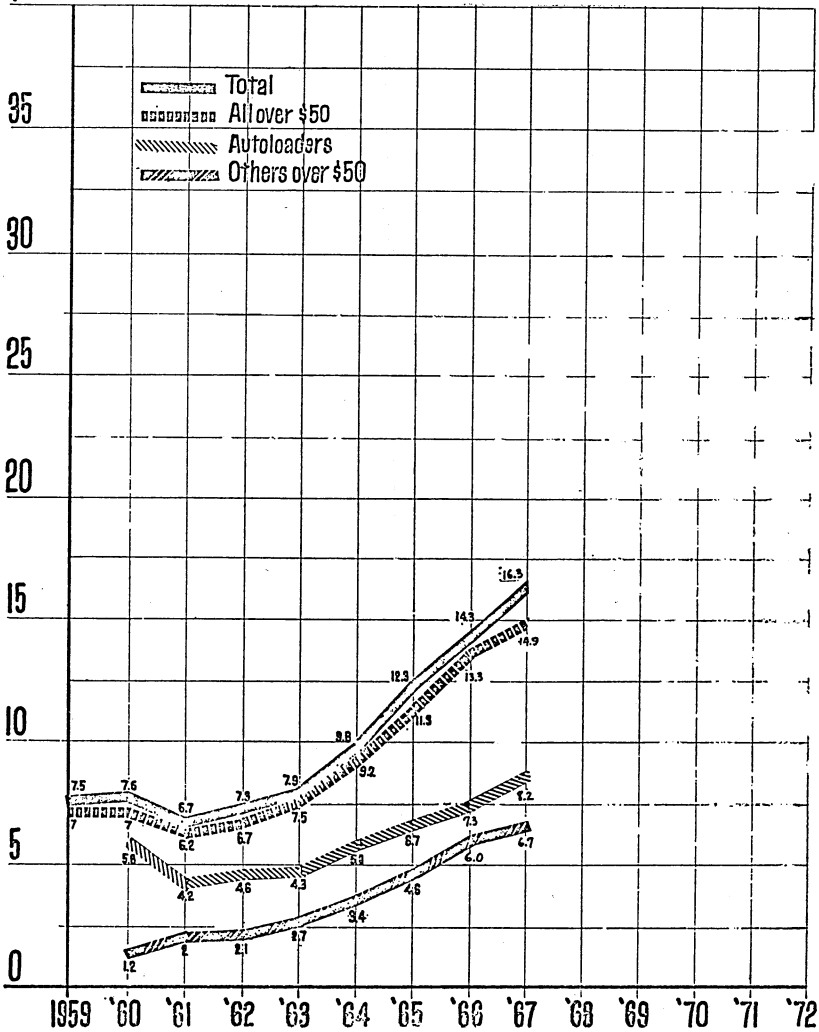


Exhibit 4

Shotgun Imports - DOLLARS

\$ millions



Shotgun Imports-UNITS

Thousands of units

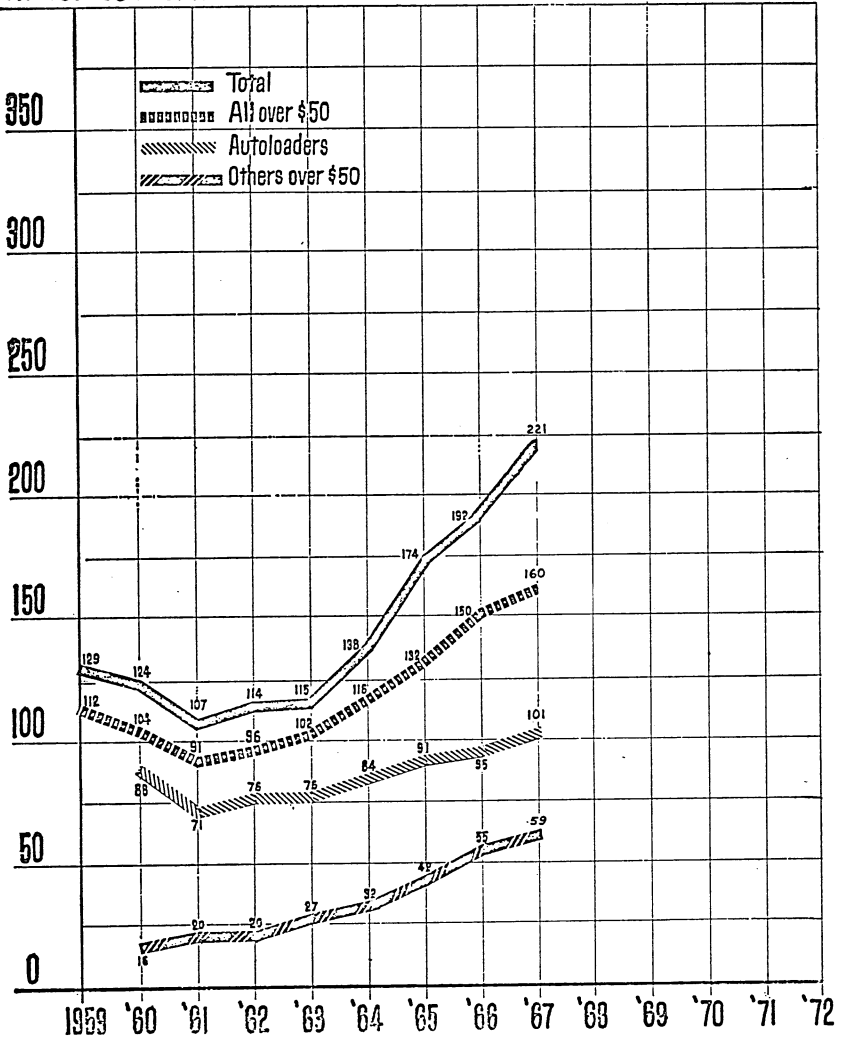


Exhibit 5

EXHIBIT 6

EUROPEAN COMMON MARKET (EEC) AVERAGE HOURLY EARNINGS IN METAL PRODUCTS INDUSTRY (APRIL 1966)

	Men	Women	Average
Belgium.....	51.27bf.....	35.77bf.....	47.44bf.
France ¹	3.90f.....	3.21f.....	3.79f.
Germany.....	4.75dm.....	3.30dm.....	4.49dm.
Italy.....	412L.....	323L.....	397L.
Netherlands.....	3.22g.....	.....	3.24g.
United Kingdom.....	106.3p.....	69.9p.....	.....
Converted earnings ² (U.S. dollars):			
Belgium.....	1.025.....	0.715.....	0.949.
France ¹	0.796.....	0.655.....	0.773.
Germany.....	1.188.....	0.825.....	1.123.
Italy.....	0.659.....	0.517.....	0.635.
Netherlands.....	0.892.....	.....	0.897.
United Kingdom.....	1.243.....	0.713.....	.....

Note: The above figures do not include fringe benefits. The average fringe benefits for all manufacturing for each country are at least—

	Percent
Belgium.....	49
France.....	73
Germany.....	48
Italy.....	102
Netherlands.....	46
United Kingdom.....	14

¹ Figures for France are based on the ordnance and small-arms industry as of March 1966.

² Based on following rates: Belgian franc, \$0.02; French franc, \$0.204; deutsche mark, \$0.25; Italian lira, \$0.0016; guilder, \$0.277; United Kingdom cent, \$0.0117.

Source: Bureau of Labor Statistics.

EXHIBIT 7

AVERAGE HOURLY EARNINGS, UNITED STATES IN CLASSIFICATION OF OTHER ORDNANCE AND ACCESSORIES, SMALL ARMS AND AMMUNITION, FIREFIGHTING EQUIPMENT AND ACCESSORIES

	Per hour
Wages:	
January 1967.....	\$3.13
Preliminary, August 1967.....	3.15
Annual average, 1966.....	3.06
Fringe benefits:	
All manufacturing.....	59.2
Fabricated metal products.....	64.5

Source: Bureau of Labor Statistics.

Mr. BURKE. Next is Mr. Hemingway, Stainless Steel Flatware Association. We welcome you, sir. Identify yourself for the record.

STATEMENT OF STUART C. HEMINGWAY, JR., STAINLESS STEEL FLATWARE MANUFACTURING ASSOCIATION

Mr. HEMINGWAY. I am Stuart C. Hemingway, Jr., vice president of the International Silver Co., making this statement on behalf of the Stainless Steel Flatware Manufacturers Association, made up of domestic producers of stainless steel flatware who account for approximately 85 percent of domestic production of these articles.

At your request, I would like to highlight my brief.

As some of you know, the U.S. stainless steel flatware industry has had such an intimate relationship with our trade policies over the past many years that I feel the following comments on past practices and suggestions of what we consider to be a realistic approach to future legislation are worthy of your consideration.

Before making these comments, however, I request the record show that our industry is opposed to H.R. 17551. We ask that it be tabled

and no new trade legislation be enacted prior to completion of the thorough and detailed review of the effects of the present trade policy as proposed by the President and announced in the notice of this hearing.

Title II have been represented as necessary by the administration for "housekeeping" requirements in case the President should raise duties under section 351, or if a tariff rate should be increased because of a customer's reclassification. The record shows that 12 industries have applied for relief and all have been rejected at the Tariff Commission level. H.R. 17551, while relaxing the criteria for firms and workers, continues the same rigid requirements for industries.

However, the vast majority of judicial decisions or administration reclassifications have resulted in U.S. tariff reductions for which the benevolent Uncle Sam has not asked for nor received compensation. Even a cursory review of the Customs Bulletin or its predecessor, Treasury Decisions, will show the United States has overcompensated without any further negotiated reductions.

You are asked to believe that H.R. 17551 could create no new significant tariff-cutting authorities. The fact is that title II opens up a whole new vista of negotiating authority for import-sensitive items such as stainless steel flatware and others specifically reserved by Congress by section 225 of the Trade Expansion Act.

In view of these conditions, further delegation of tariff-cutting authority by the Congress, in our opinion, would be very unwise at this time.

Title III: Adjustment Assistance to Firms and Workers. We urge this committee to compare, thoughtfully and carefully, the great difference in basic philosophy behind the escape clause under section 7, Trade Agreements Act, as amended, as a method of relief for U.S. industries injured by imports, and the philosophy behind the adjustment assistance program. The escape clause, inserted at the insistence of Congress, recognized the right of any import-sensitive U.S. industry to continue to exist.

The adjustment assistance program which Congress was persuaded to include in the Trade Expansion Act of 1962, to replace the escape clause under section 7, accepts as a fact that U.S. industries are expendable. Nothing, in our opinion, more clearly demonstrates the extent to which our present trade policy has become an ideology to those who propose and administer it.

Any U.S. industry which cannot compete with imports in the U.S. market has no right to exist. The fact that the inability to compete results from Government policies beyond industry control has no bearing in their minds. They blithely say "manufacture and sell something else."

Just who is the all-knowing individual who will suggest that something else to be made and plan the retraining of the workers involved? How many millions of dollars will it cost? How much dislocation of people will be involved? What impact will it have on the areas affected? What assurance can be given that the whole process will not have to be repeated when imports absorb the U.S. market for the new product? We doubt anyone has the answers to those questions.

But, even more important, is the Federal Government to decide the products U.S. industry shall make? Is it to plan the lives of American

working men and women? Stripped of all camouflage, that is basically what adjustment assistance does.

Wide differences in unit costs, which are the basis of true competitive standards, explain why the U.S. stainless steel flatware industry and certain other U.S. industries cannot compete with imports. Disparities in manufacturing and processing costs between United States and foreign producers, particularly in the Asian countries, can be traced directly and exclusively to those wide differences in wage rates. There are no major differences in manufacturing or processing methods.

The United States no longer has a monopoly on any equipment or machinery which enables it to offset these much lower wage rates.

I want to impress on you gentlemen that the stainless steel flatware tariff quota was successful.

After an investigation which recognized the preceding facts, the Tariff Commission found the United States stainless steel flatware industry to be seriously injured by imports. The President then proclaimed a tariff quota effective October 31, 1959, on the import of certain stainless steel flatware.

A sufficient optimism was generated by the tariff quota in the domestic producers to warrant their capital expenditures of \$12 million between 1959 and 1966 for plant, machinery, and other improvements to increase efficiency. Sales increased 60 percent within that period, employment increased 15 percent, and man-hours worked increased 46 percent. While profits on average continued at a low level, the domestic flatware industry made substantial and encouraging progress.

At the same time, importers and foreign manufacturers enjoyed significant benefits from the quota as it brought order to a chaotic market where quality was constantly being sacrificed in profitless price wars. During the 8 years of the quota, significant strides were made toward establishing an orderly market for stainless flatware in the United States. Sales of imported flatware continued to rise in about the same ratio as U.S. consumption.

Prior to 1959, Japan concentrated its principal selling efforts on the U.S. market. The imposition of the tariff quota obviously was the impetus that inspired Japan to aggressive selling efforts in other world markets. It has been very successful. While the United States was, and still is, its principal market—its world market has expanded at a very rapid rate. Today, Japan produces and sells more units of table flatware than any other country in the world. It is now No. 1. The United States is No. 2.

We believe that in our case, as well as in many others, the national interest can be shown to be improved by optimum tariffs rather than no tariffs at all. In the case of the tariff quota, benefits can be shown to have contributed substantially to the maintenance of the flatware industries in both the United States and in Japan, its principal foreign supplier (with 80 percent of imports in 1966).

The success of the tariff quota on imports of stainless steel flatware can well be used as an example of the benefits that accrue to the overall U.S. economy when a reasonable import quota is applied to certain specified products. In the 8 years of its operation, it provided job security for thousands of American workmen, safety for many American investors and contributed strongly to the welfare of those cities and towns whose principal industry is flatware manufacturing.

Acting on the recommendation of his trade advisors and contrary to the majority finding of the Tariff Commission, the President rescinded the quota effective October 11, 1967. As we had predicted, a deluge of imports started almost immediately. Imports from Japan in the first quarter of 1968 were more than triple those of the same period last year.

This is occurring just at the time when some of our industry are endeavoring to train and provide jobs for the hard-core unemployed under the program assigned Mr. Ford's committee by the President. It could well be we are building false hopes in those we seek to help, for it now appears likely there will be no jobs available when the training is completed.

We submit that a trade policy which reduces an industry that was the world's largest manufacture of table flatware to the second largest is bad enough, even though it may be rationalized as that industry's contribution to the furtherance of international trade. However, a trade policy which bids fair to force that industry completely out of business is not only uneconomic, it is un-American. No amount of vague conversation and grandiose generalities about how many export opportunities are being benefited by it can justify such a policy.

In conclusion, it is our belief that if a sound and equitable trade policy is to emerge in the United States it will come only when the Congress once again assumes its full responsibilities under the Constitution. H.R. 17551 is certainly not the answer, for it continues to delegate much of that responsibility.

Obviously, if any of the orderly marketing bills now before this committee are to be enacted, we believe H.R. 12988, which would restore the tariff quota on imports of stainless steel flatware should also be enacted. However, we believe the far wiser course, after the forementioned study is completed, would be for the Congress to enact new trade legislation sufficiently broad as to insure an equitable sharing of the U.S. market between all domestic and foreign made products.

We commend to the committee's further attention the statement of the Trade Relations Council on June 13, 1968, suggesting a fundamental change in basic U.S. law pertaining to the criteria for future tariff negotiations and tariff adjustments.

Thank you very much, sir.

(Mr. Hemingway's prepared statement follows:)

STATEMENT OF STUART C. HEMINGWAY, JR., STAINLESS STEEL FLATWARE
MANUFACTURERS ASSOCIATION

Mr. Chairman, I make this statement on behalf of the Stainless Steel Flatware Manufacturers Association, a national trade association made up of ten domestic producers of stainless steel table flatware, who account for approximately 85% of domestic production of these articles.

Mr. Chairman and members of the Committee, there seems no question that the philosophy of international trade is extremely complex. In the short time allotted for my oral statement, I will not presume to submit any all-encompassing proposal to establish a new frontier in this area. However, as some of you know, the U.S. stainless steel flatware industry has had such an intimate relationship with our trade policies over the past many years that I feel the following comments on past practices and suggestions of what we consider to be a realistic approach to future legislation are worthy of your consideration.

Before making these comments, however, I request the record show that our industry is opposed to HR #17551. We ask that it be tabled and no new trade legislation be enacted prior to completion of the thorough and detailed review

of the effects of the present trade policy as proposed by the President and announced in the notice of this hearing.

It is significant that the administration was reluctant to offer a new trade bill this session until it sensed that the deluge of quota bills might receive active consideration by Congress. The fact it has now done so indicates in our opinion the extent to which our trade policy has become to some a symbol, an ideology to be supported at all cost and defended against all protest. I remind you that administrations come and go but those who have influenced each administration toward a free trade policy do not change. Still among them are some of the original proponents of today's policy. Others are proteges thoroughly steeped in the same beliefs. They fail to realize or refuse to admit that expanding industrial efficiency in foreign lands is making it possible for more and more products to absorb the U.S. market as duties, reduced almost to the vanishing point, expose more of those markets to imports. Their slogan seems to be "Do not change our Trade Policies. Instead, change U.S. industry to fit them." HR 17551 is proof of that.

While the Tariff Commission was established as an independent agency accountable to Congress it has in fact come increasingly under the influence of the Executive and State Departments. HR 17551 would extend this control and further reduce the role of the Tariff Commission to the mere preparation of memos such as is the regular work of the staffs of the various Agencies and Departments of Government.

Title II has been represented as necessary by the Administration for "house-keeping" requirements in case the President should raise duties under Section 351, or if a tariff rate should be increased because of a customs reclassification. The record shows that twelve industries have applied for relief and all have been rejected at the Tariff Commission level. HR 17551 while relaxing the criteria for firms and workers continues the same rigid requirements for industries. Indeed, Ambassador Roth clearly announced in his address to the U.S. Chamber of Commerce on May 21, 1968, that the Administration has no intention of according any industry tariff relief. It is true that in some few rare cases an upward duty adjustment has resulted from a customs reclassification and also that U.S. negotiators have bent over backwards to compensate complaining foreign countries. However, the vast majority of judicial decisions or administration reclassifications have resulted in U.S. tariff reductions for which the benevolent Uncle Sam has not asked for nor received compensation. Even a cursory review of the Customs Bulletin of its predecessor Treasury Decisions will show the U.S. has over-compensated without any further negotiated reductions.

You are asked to believe that HR 17551 would create no new significant tariff cutting authorities. The fact is that Title II opens up a whole new vista of negotiating authority for import sensitive items such as stainless steel flatware and others specifically reserved by Congress by Section 225 of the T.E.A.

In view of these conditions, further delegation of tariff cutting authority by the Congress, in our opinion, would be very unwise at this time.

Title III Adjustment Assistance to Firms and Workers.—We urge this Committee to compare, thoughtfully and carefully, the great difference in basic philosophy behind the Escape Clause under Sec. 7. Trade Agreements Act as amended, as a method of relief for U.S. industries injured by imports and the philosophy behind the Adjustment Assistance Program. The Escape Clause, inserted at the insistence of Congress, recognized the right of any import sensitive U.S. industry to continue to exist. The fact that it did not always succeed to the extent Congress planned was, in our judgment, mainly because of the abuse of Executive discretion it permitted.

The Adjustment Assistance Program which Congress was persuaded to include in the Trade Expansion Act of 1962 to replace the Escape Clause under Section 7 accepts as a fact that U.S. industries are expendable. Nothing, in our opinion, more clearly demonstrates the extent to which our present trade policy has become an ideology to those who propose and administer it. Any U.S. industry which cannot compete with imports in the U.S. market has no right to exist. The fact that the inability to compete results from Government policies beyond industry control has no bearing in their minds. They blithely say "manufacture and sell somethings else."

Just who is the all-knowing individual who will suggest that something else to be made and plan the re-training of the workers involved? How many millions of dollars will it cost? How much dislocation of people will be involved? What impact will it have on the areas affected? What assurance can be given that the

whole process will not have to be repeated when imports absorb the U.S. market for the new product? We doubt anyone has the answers to those questions. But even more important, *is the Federal Government to decide the products U.S. industry shall make? Is it to plan the lives of American working men and women?* Stripped of all camouflage that is basically what Adjustment Assistance proposes.

At present, under the war conditions of Viet Nam, unemployment is low—but what happens when peace does come, and all of us pray it will come soon. Then some 500,000 young men will be returned to the labor market. What about jobs for them if certain industries have been considered expendable and thus the jobs they formerly provided are given to foreign workers? On January 8, 1968, the Economic Unit of the U.S. News and World Report, based on official census data, predicted that the number of Americans of working ages is expected to rise by almost 14% between 1967 and 1975—which means that 12 to 13 million new jobs will have to be created if unemployment is to be held down. This compares with 8.7 million new jobs created in America by business, industry and government in the seven years 1961 through 1967. Facing such a monumental task can any job, in any U.S. industry, be considered expendable? And, thousands of jobs are involved. We are advised by the American Iron & Steel Institute that in its industry alone 85,000 job opportunities are lost today because of steel imports.

Wide differences in unit costs, which are the basis of true competitive standards, explain why the U.S. stainless steel flatware industry and certain other U.S. industries cannot compete with imports. Disparities in manufacturing and processing costs between U.S. and foreign producers, particularly in the Asian countries, can be traced directly and exclusively to those wide differences in wage rates. There are no major differences in manufacturing or processing methods. Automatic machinery and manufacturing techniques for making stainless steel flatware are available on a world-wide basis. The United States no longer has a monopoly on any equipment or machinery which enables it to offset these much lower wage rates.

STAINLESS STEEL FLATWARE TARIFF QUOTA SUCCESSFUL

After an investigation which recognized the preceding facts, the Tariff Commission found the U.S. Stainless Steel Flatware Industry to be seriously injured by imports. The President then proclaimed a Tariff Quota effective October 31, 1959, on the impact of certain stainless steel flatware.

A sufficient optimism was generated by the tariff quota in the domestic producers to warrant their capital expenditures of \$12 million between 1959 and 1966 for plant, machinery and other improvements to increase efficiency. Sales increased 60% within that period, employment increased 15% and man hours worked increased 46%. While profits on average continued at a low level, the domestic flatware industry made substantial and encouraging progress.

At the same time, importers and foreign manufacturers enjoyed significant benefits from the quota as it brought order to a chaotic market where quality was constantly being sacrificed in profitless price wars. During the eight years of the quota significant strides were made toward establishing an orderly market for stainless flatware in the U.S. The "fast buck" operators who had preempted responsible importer distributors of flatware prior to the quota sought other areas of activity. Sales of imported flatware continued to rise in about the same ratio as U.S. consumption.

Prior to 1959, Japan concentrated its principal selling efforts on the U.S. market. The imposition of the tariff quota obviously was the impetus that inspired Japan to aggressive selling efforts in other world markets. It has been very successful. While the U.S. was, and still is, its principal market—its world market has expanded at a very rapid rate. Between 1959 and 1966, its exports of quota and non-quota type flatware to the U.S. increased 71% and, during the same period, its total exports to all countries increased 175%. Today Japan produces and sells more units of table flatware than any other country in the world. It is now #1. The U.S. is #2.

We believe that in our case, as well as in many others, the national interest can be shown to be improved by optimum tariffs rather than no tariffs at all. In the case of the tariff quota, benefits can be shown to have contributed substantially to the maintenance of the flatware industries in both the United States and in Japan, its principal foreign supplier (80% of imports in 1966).

The success of the tariff quota on imports of stainless steel flatware can well be used as an example of the benefits that accrue to the overall U.S. economy when a reasonable import quota is applied to certain specified products. In the eight years of its operation, it provided job security for thousands of American workmen, safety for many American investors and contributed strongly to the welfare of those cities and towns whose principal industry is flatware manufacturing.

Unfortunately, he who gives can also take away and how much longer the U.S. flatware industry can continue in the position the quota enabled it to reach is a very serious question. Acting on the recommendation of his trade advisors and contrary to the majority finding of the Tariff Commission, the President rescinded the quota effective October 11, 1967. As we had predicted, a deluge of imports started almost immediately. Imports from Japan in the 1st quarter 1968 were more than triple those of the same period in 1967. Imports from other Asian countries are increasing in almost the same measure. Large volume orders from institutional and premium users, running in the aggregate to millions of dollars are now being given to foreign countries, forecasting still further inroads into areas which were the principal sources of domestic sales. It is like a snowball rolling down hill. Right now the long range outlook for the U.S. flatware industry is indeed bleak.

This is occurring just at the time when some of industry are endeavoring to train and provide jobs for the hard core unemployed under the program assigned Mr. Ford's Committee by the President. It could well be we are building false hopes in those we seek to help, for it now appears likely there will no jobs available when the training is completed.

We are convinced continuance of the quota was denied us solely because those in authority thought we had had it "long enough." Apparently, the lack of justice to an established U.S. industry in rescinding it had no bearing on their decision, a decision which will undoubtedly force some of the smaller producers out of business in a relatively short time and which can eventually lead to the loss of thousands of jobs and substantial investments as the larger producers are affected.

We submit that a trade policy which reduces an industry that was the world's largest manufacturer of table flatware to the second largest is bad enough, even though it may be rationalized as that industry's contribution to the furtherance of international trade. However, a trade policy which bids fair to force that industry completely out of business it not only uneconomic, it is un-American. No amount of vague conversation and grandiose generalities about how many export opportunities are being benefited by it can justify such a policy.

In conclusion, it is our belief that if a sound and equitable trade policy is to emerge in the United States it will come only when the Congress once again assumes its full responsibilities under the Constitution. HR 17551 is certainly not the answer, for it continues to delegate much of that responsibility. Obviously, if any of the orderly marketing bills now before this Committee are to be enacted we believe HR 12988, which would restore the tariff quota on imports of stainless steel flatware should also be enacted. However, we believe the far wiser course, after the aforementioned study is completed, would be for the Congress to enact new trade legislation sufficiently broad as to insure an equitable sharing of the U.S. market between all domestic and foreign made products.

We commend to the Committee's further attention the statement of the Trade Relations Council on June 13, 1968, suggesting a fundamental change in basic U.S. law pertaining to the criteria for future tariff negotiations and tariff adjustments.

Mr. BURKE. Thank you, Mr. Hemingway, for your statement.
Are there any questions?

Our next witness will be on plastics and buttons. I notice that there are two witnesses, William F. Christopher and Gilbert C. Richman. Without objection, your statements will appear in their entirety in the record. You may summarize and this will appear in full.

Please identify yourself for the record.

**STATEMENT OF WILLIAM F. CHRISTOPHER, CHAIRMAN, TARIFF
COMMITTEE, THE SOCIETY OF THE PLASTICS INDUSTRY, INC.**

Mr. CHRISTOPHER. My name is William F. Christopher. I am director of marketing for Hooker Chemical Corp., and chairman of the tariff committee of the Society of the Plastics Industry.

I am here today to present the testimony of the Society with respect to trade policy as it affects the plastic industry and specifically on the administration's trade bill.

The Society is made up of 2,500 member companies and individuals who are manufacturers of plastic materials, plastic products, molds and equipment, and plastic fabricating machinery.

This is a very large and a very diverse industry. Currently in volume it amounts to some \$7 billion per year; last year, in sales volume, over \$7 billion. It employed over 200,000 employees with a payroll of over \$1.5 billion.

Not only is it a large industry, it is a rapidly growing industry, growing at a rate of 12 to 15 percent per year. It is not only growing but it is a good exporting industry, our exports amounting to almost a half billion dollars and contributing a substantial amount to the favorable balance of trade in the chemical industry.

Because it is a healthy industry and growing rapidly and because it is a healthy exporting industry, we think special attention should be given to such industries by this committee to assure that the favorable competitive position that we enjoy can continue.

There is considerable doubt at the moment, more than doubt there are facts that this situation is changing, has changed in recent years, and specific steps must now be taken by the Government to assure the continuing favorable competitive position of this industry.

One measurement of this competitive situation is or can be seen in the figures on exports for the industry. Here we see that total exports have increased since 1960 by 59 percent. Here I am talking about plastic materials. Of this increase, most of it is accounted for, almost all of it is accounted for by sales to third-country markets, countries other than the major producing countries of plastic materials which are the EEC, the United Kingdom, and Japan.

Most of our public debate during the Kennedy round negotiations has been vis-a-vis trade with the other producing countries. In the case of this industry, and I suspect in the case of many other industries, our export opportunity is not to the major plastic producing countries, but to these other, third countries. It is also very interesting to note that in the total world market 80 percent of the market is to these third countries.

Please also note that in the last 3 years our exports to third countries have not increased. If you look at the export data for the European Economic Community, the United Kingdom, and Japan, you will see that for those countries their exports to third-country markets has continued to increase in the last 3 years, one measurement of the growing lack of competitiveness of U.S. plastic materials in the world's markets. This has happened.

Attention must be given to it. It has happened for several reasons. One of these reasons lies in trade barriers other than tariffs. Among

these are many very significant cost barriers involved in moving materials from one country to another.

In 1965, the chemical industry made a detailed examination of 14 typical chemical products that move in substantial volume in international trade. We found that where it is true that the U.S. tariffs which were the subject of the Kennedy round negotiations were higher in the United States than in EEC, when total costs were considered, the cost barriers into the Common Market were considerably higher than the cost barriers into the United States.

Following the conclusion of the Kennedy round negotiations, we looked at what effect these negotiations would have on these costs of entry for these same 14 chemical products. We found that the tariff barriers in both cases, of course, are substantially reduced but, considering the other cost barriers, including the harmonized TVA taxation system anticipated for the EEC, the total cost of entry into Europe has changed relatively slightly in comparison to what has happened in the United States.

These other cost barriers that we are concerned with are shipping costs, cost, insurance, and freight valuation, border taxes, the cascaded border tax base, and special taxes or charges which apply in specific countries.

This is a very important subject, one that demands urgent attention by the administration, and by this Congress, to make sure that the present inequities in these taxation systems and in these other cost elements are resolved in a way that will allow our industries and other U.S. industries to compete on a comparable basis.

Our brief makes several specific recommendations on steps that can be taken to improve the competitive position of our industry. I would like to comment just briefly on only two of these.

One, with respect to foreign border taxes, a very important problem that limits our trade not only to the border tax countries but also to third-country markets via the operation of the border tax rebate system, we propose in our brief that a tax credit be provided for such taxes paid on American exports. While this would not help our export problem to third-country markets, it would assist our exports to the border tax adjustment countries, and would provide our administration with a bargaining position to bargain away the present inequities in the taxation systems of the various countries.

We also in our brief urge that attention be given to the subject of tax incentives. We do not ask for tax incentives that will give our industry a competitive advantage over the industry in other countries. We do ask for tax incentives that will enable our exports to compete on an equivalent basis with foreign producers.

In our brief we also make several very important recommendations in the area of trade policy administration, and specifically on the new trade bill. Several of these we might group under the general heading of "Organization and Procedures for the Administration of Trade Policy and the Conduct of Trade Negotiations."

We endorse the President's statement in his message transmitting the trade bill to the Congress in which he proposes or states that he will issue an Executive order to improve the coordination and cooperation among Congress, business, labor, agriculture, and the executive

branch of Government in the administration of trade policy. We think this is extremely important, and we urge that, under the provisions of such an Executive order, a system of industry advisers be established along the general lines recommended in our brief, which was drawn from our experience during the Kennedy round negotiations, so that we can, in effect, establish a meaningful relationship between industry and Government that will help assure wise decisions and will provide the coordination and cooperation necessary to that effect; namely, a limited number of such advisers organized on a sector concept and appointed on an official basis to participate with Government on trade policy and to participate as advisers to Government in trade negotiations.

The last point I would like to comment on in my presentation is on the subject of adjustment assistance to industry. We urge that in the new trade bill a provision be added to provide for adjustment assistance to industry in the form of tariff adjustments. We think it is not likely that trade negotiations concluded in 1967 on the basis of 1964 trade data can supply in all cases wise answers to what the competitive situation will be in 1972 when the Kennedy round is fully implemented. We think, therefore, that for those sectors of industry particularly sensitive to import competition, adjustment assistance in the form of tariff relief is essential. One of the sectors of the plastics industry which is sensitive to such imports in the button division, and here to speak for that industry is Mr. Gilbert Richman.

(Mr. Christopher's prepared statement follows:)

STATEMENT OF WILLIAM F. CHRISTOPHER, CHAIRMAN, TARIFF COMMITTEE, THE SOCIETY OF THE PLASTICS INDUSTRY, INC.

Mr. Chairman and members of the Committee, my name is William F. Christopher. I am Director of Marketing for Hooker Chemical Corporation whose main offices are located at 277 Park Avenue, New York City. I am also Chairman of the Tariff Committee of The Society of the Plastics Industry, Inc. In that capacity, I am pleased to have the opportunity to file this statement as a means of presenting the Society's views on the general subject of the balance of trade between the United States and foreign nations. It is my intention not only to comment on proposals recently transmitted to the Congress by the administration but to identify some of the major problems areas which we believe require further study and attention as well as to offer a number of specific recommendations for your consideration.

By way of introduction, The Society of the Plastics Industry, Inc. (SPI) is a corporation organized under the Membership Corporation Laws of the State of New York. The Society's functions are to assemble and disseminate scientific, engineering, and general information data on plastics; to cooperate with the military and allied departments of the United States Government in the furtherance of its plastics projects; to act as an authoritative central forum for its member companies, and to promote actively and advance the application and use of plastics through greater public acceptance and favorable recognition of plastics products. SPI is composed of approximately 2,500 member companies and individuals who supply raw materials; process or manufacture plastics or plastics products; engineer or construct molds or similar accessory equipment for the plastics industry; and engage in the manufacture of machinery used to make plastics products or materials of all types. The Society is the major national trade association of the plastics industry, its membership being responsible for an estimated 85 to 90 percent of the total dollar volume of sales of plastics in this country.

The Tariff Committee is a standing committee of the Society whose function it is to consider, investigate, make recommendations, and take action on the industry's behalf with regard to tariff and trade matters generally. One of the

primary activities of the Committee has been to represent the industry on tariff and trade matters involving plastics before the various governmental agencies as well as the appropriate Committees of Congress. Only last month, we appeared before the Trade Information Committee to offer testimony in connection with TIC's study of the future of U.S. foreign trade policy.

For convenience sake, I have separated my presentation into four specific categories. In the first part of my statement, I shall endeavor to discuss where the plastics industry stands today in relation to world trade and its prospects for the future. Next, I shall address my remarks to the significance of trade barriers, both in the United States and abroad. Third, I shall comment on the problems faced by American plastics exporters and offer some suggestions on steps which could be taken to make the plastics industry more equivalently competitive in world markets. The final portion of my presentation will deal with the implementation of U.S. trade policy, generally, and will offer comment on the proposals embodied in the Trade Expansion Act of 1968 recently transmitted to the Congress by the Administration.

I. THE COMPETITIVE POSITION OF THE UNITED STATES PLASTICS INDUSTRY IN WORLD TRADE AND PROSPECTS FOR THE FUTURE

A. PLASTICS MATERIALS

1. Production volume and growth

The plastics materials industry is large in size, and is growing rapidly in all of the major producing countries. In rate of growth, Japan can claim first place, the EEC second, followed by the U.S. and the United Kingdom. Data relative to growth are summarized in the following table:

TABLE 1.—PRODUCTION OF PLASTICS AND RESIN MATERIALS

[In thousands of metric tons ¹—Index 1960=100]

	1960 ²	1961	1962	1963	1964	1965	1966
United States:							
Production.....	2,851	3,075	3,605	4,025	4,529	5,253	6,103
Annual increase.....		224	530	420	504	724	849
Percent.....		8	17	12	13	16	16
Index.....	100	108	126	141	159	184	214
EEC:							
Production.....	1,724	1,971	2,379	2,750	3,397	3,893	4,534
Annual increase.....		247	408	371	647	496	615
Percent.....		14	21	16	24	15	16
Index.....	100	114	138	160	197	226	263
Japan:							
Production.....	650	(³)	1,047	1,096	1,417	1,613	2,011
Annual increase.....		(³)	(³)	49	321	195	388
Percent.....		(³)	(³)	5	29	14	24
Index.....	100	(³)	161	169	218	248	309
United Kingdom:							
Production.....	570	599	688	776	900	974	1,037
Annual increase.....		29	89	88	124	74	63
Percent.....		5	15	13	16	8	6
Index.....	100	105	121	136	158	171	182

¹ Data from the chemical industry published by OECD.

² 1960 figures based on sales except France, Germany, and the Netherlands.

³ Not available.

2. Comparative production costs

Production costs for the condensation polymers such as phenolics, epoxies, polyamides, polyesters, and alkyds in other major producing countries are typically lower than those in the U.S. These polymers are batch-produced and labor is, therefore, one of the most important cost factors. Also, raw material costs in other countries are often less than in the U.S. Because these resins are batch-produced, they offer comparatively little opportunity for manufacturing cost reduction with increasing scale. Thus, while larger producers, both here and abroad, may find some cost advantage in backward integration for lower-cost raw materials, on balance, increasing the scale of operation for these materials does not offer a significant competitive advantage to any of the major producing countries. In addition, many of these resins are produced in specialty grades

formulated for specific applications and this, too, tends to limit the possibility of economies from larger scale.

Polymerization polymers realize significant cost savings with increasing scale. These include the large-volume thermoplastics such as polystyrene, polyethylene, polypropylene and polyvinyl chloride. With the exception of polyvinyl chloride and polyvinyl alcohol, the U.S. has historically had an advantage in scale of production and, therefore, in the costs of producing these materials. The use of natural gas raw materials has added to this advantage. However, the conversion of foreign production from a coal base to oil and gas, now underway and largely accomplished, removes this relative advantage. And, the advantage of scale is also shifting as foreign producers expand their capacities. It is projected that, by 1970, the U.S. will no longer enjoy any production cost advantages in the polymerization polymers, and, in fact, may even be subject to disadvantages in both raw material and labor costs.

Research and development costs, application engineering costs, and the costs of technical assistance to customers are considerably higher in the U.S. than in foreign countries. These costs are higher both in absolute amount and as a percentage of sales. They have been necessary for the rapid growth of the industry and perhaps are the major reason for this growth. We now see a significant expansion of these activities in other major producing countries. Since most of these costs are the employment costs of scientists, engineers and technicians, the higher salary costs in the U.S. appear to assure a continuing competitive advantage for foreign countries in this area.

World competitive cost trends hold little promise for the U.S. maintaining any continuing cost advantage. In the condensation polymers, where the U.S. is even now at a disadvantage, we see little likelihood of closing the gap. In the large-volume polymerization polymers, we see the probability of loss of our present advantage through the increasing scale of production abroad as well as the lower raw material and labor costs enjoyed by foreign producers.

3. *Comparative world prices*

Two difficulties are encountered in making price comparisons among the domestic markets of the major producing countries. First is the problem of obtaining reliable price information since it is not customary to use published price sheets in other countries. Second is the problem of establishing comparability in product grade and quality, and in terms of sale.

In spite of these difficulties, some general conclusions can be drawn:

(a) Many prices are lower in other countries than in the U.S. This tends to be the case where the plastic material has been produced for a number of years, has well-developed applications, and has adequate production capacity. Lower foreign prices are more typical for condensation polymers than for polymerization polymers. However, in the case of some of the more mature polymerization polymers such as polyvinyl chloride, polyvinyl alcohol, and acrylics, foreign prices are found to be below those in the U.S.

(b) On the other hand, some prices are lower in the U.S. than in other markets. Ordinarily, this tends to be the case with the large-volume polymerization polymers and in a limited number of the specialty materials.

(c) Tax-paid delivered cost should be the basis of comparison between the U.S. prices and foreign prices for plastic materials. In this country, the normal price quoted is a delivered price, including freight to customer which is estimated to average about one cent per pound. In other countries, price is typically quoted f.o.b. with freight for buyer's account.

(d) In order to sell at competitive prices in world markets, giving consideration to the costs of ocean freight, foreign duties, and taxes, it appears that the justification for export sales in many major producing countries is based on the economics of incremental costs.

4. *Technical contribution of major producing countries*

All major producing countries have made substantial technical contributions to the industry, and this technology has been disseminated to the point where all such countries today have virtually the same technical capabilities. No country has a dominant technical position, or a patent structure, which gives it a competitive advantage.

5. *Tariff rates*

Tariff rates for the major plastic materials are summarized in Appendix A, attached to this statement. Pre-Kennedy Round, Kennedy Round, and Kennedy

Round plus Separate Agreement rates are listed for the U.S., EEC, United Kingdom and Japan. It will be noted that the final *ad valorem* rates, including the Separate Package Agreement, harmonize at 10% for most plastic materials in all four schedules. For the U.S., in addition to the 10% *ad valorem*, there is a specific duty, typically 1.3¢ per pound. The application of this compound duty results in an estimated *ad valorem* equivalent (based on 1967 imports) of about 13%. In comparison with the 10% rates in the EEC, United Kingdom, and Japan, this difference adequately covers the cascading effect of their c.i.f. valuation base on U.S. imports. However, it does not adequately offset the distorting effects of border tax adjustments and other barriers discussed in more detail in Section II of this statement.

6. World trade

Summarized in Table 2 herein are the plastic materials exports of the major producing countries, by country of destination. From the table it can be seen that about 20% of exports of the major producing countries (i.e. U.S., EEC, U.K. and Japan) are to the other major producing countries, and that the remaining 80% are to countries other than these major producing countries. The terms "third countries" and "third country markets" will be used in the remainder of this statement in referring to trade to this 80 percent of the export market.

TABLE 2.—PLASTICS EXPORTS OF MAJOR PRODUCING COUNTRIES, BY COUNTRY OF DESTINATION¹
(Thousands of metric tons)

Country exporting in year	Country exported to—					Total
	United States	EEC	United Kingdom	Japan	Other	
United States:						
1963.....		89	25	24	246	384
1964.....		96	37	26	357	516
1965.....		81	35	17	358	491
1966.....		104	39	22	359	524
EEC:						
1963.....	14		64	10	491	579
1964.....	17		79	5	634	735
1965.....	21		90	4	744	859
1966.....	24		95	5	876	1,000
United Kingdom:						
1963.....	2	53		4	206	265
1964.....	3	55		3	236	297
1965.....	4	59		1	248	312
1966.....	6	63		1	267	337
Japan:						
1963.....	11	10	6		79	106
1964.....	15	10	9		92	126
1965.....	18	34	9		167	228
1966.....	24	44	8		260	336
Total:						
1963.....	27	152	95	38	1,022	1,334
1964.....	35	161	125	34	1,319	1,674
1965.....	43	174	134	22	1,517	1,890
1966.....	54	211	142	28	1,762	2,197

¹ Exports are totals of SITC 581.1 (BTN 39.01), 581.2 (BTN 39.02), and 581.9 (BTN 39.06).

Source: United Nations, 1963, 1964, 1965, 1966, World Trade Annuals.

A comparison of the production data in Table 1, on page 5 herein, with the export data in Table 2, above, provides some interesting and significant comparisons. While the U.S. industry is larger than the EEC (one-third larger in 1966), exports from the EEC amount to approximately twice those from the U.S. A further indication of the competitive position of the major producing countries, based on Tables 1 and 2, is the percent of production exported. For the year 1966, the U.S. exported 9% of its total production, the EEC 22%, the United Kingdom 32%, and Japan 17%. It is also significant that, while third countries represent about 80% of the export market and hence represent also the greatest opportunity for export expansion, U.S. exports to third countries have levelled off since 1964, while exports to third countries have continued to expand rapidly for the EEC and Japan.

More detailed information on U.S. exports of plastic materials can be obtained from an analysis of the export data set forth in Table 3 as follows:

TABLE 3.—U.S. EXPORTS OF PLASTICS AND RESINS¹
[1960=100]

	1960	1961	1962	1963	1964	1965	1966	1967
Total:								
Dollars in millions.....	296.1	292.5	301.4	314.7	390.3	424.7	471.3	473.3
Pounds in millions.....	825.2	879.2	915.1	940.2	1,255.2	1,213.1	1,301.2	1,313.5
Average, dollar/pound.....	.359	.332	.329	.334	.312	.350	.362	.360
Index, pounds.....	100	107	111	114	152	147	158	159
EEC:								
Dollars in millions.....	78.9	78.4	82.4	75.8	86.2	94.5	102.2	110.8
Pounds in millions.....	244.8	262.8	266.3	219.1	242.2	217.9	249.6	265.8
Average, dollar/pound.....	.322	.298	.309	.346	.355	.434	.409	.416
Index, pounds.....	100	107	109	90	99	89	102	109
United Kingdom:								
Dollars in millions.....	38.0	29.2	27.5	35.6	46.4	48.6	49.4	50.1
Pounds in millions.....	83.2	57.0	49.2	67.5	98.2	93.7	96.5	106.6
Average, dollar/pound.....	.457	.512	.559	.527	.473	.519	.511	.470
Index, pounds.....	100	69	59	81	118	113	116	128
Japan:								
Dollars in millions.....	27.3	30.8	19.3	20.7	21.6	19.9	23.5	31.9
Pounds in millions.....	86.0	114.8	61.1	55.3	60.6	38.9	47.6	58.4
Average, dollar/pound.....	.317	.268	.316	.374	.356	.512	.494	.546
Index, pounds.....	100	133	71	64	70	45	55	68
Canada:								
Dollars in millions.....	53.2	55.6	63.5	62.6	70.6	88.2	96.3	102.3
Pounds in millions.....	134.6	136.7	176.7	157.8	192.3	215.4	244.0	263.7
Average, dollar/pound.....	.395	.407	.359	.397	.367	.409	.395	.388
Index, pounds.....	100	102	131	117	143	160	181	196
Mexico:								
Dollars in millions.....	10.5	10.7	9.8	13.2	16.4	22.4	22.3	16.4
Pounds in millions.....	28.3	33.2	30.8	50.7	68.3	87.8	90.1	48.6
Average, dollar/pound.....	.371	.322	.318	.26	.24	.255	.248	.337
Index, pounds.....	100	117	109	179	241	312	318	172
Hong Kong:								
Dollars in millions.....	6.8	7.9	7.2	7.9	13.7	8.3	4.6	6.5
Pounds in millions.....	27.8	41.1	42.1	45.0	89.6	48.2	28.6	38.9
Average, dollar/pound.....	.245	.192	.171	.176	.153	.172	.161	.164
Index, pounds.....	100	148	151	162	322	173	103	138
All other:								
Dollars in millions.....	81.4	79.9	91.7	98.9	136.4	142.8	173.0	155.3
Pounds in millions.....	220.5	233.6	288.9	344.8	504.0	511.3	544.8	532.0
Average, dollar/pound.....	.369	.342	.317	.287	.271	.279	.318	.291
Index, pounds.....	100	106	131	156	229	232	247	241

¹ Source: U.S. Department of Commerce, FT-410 reports, U.S. exports. Data includes resins in unfinished and semi-finished forms. Film and sheeting and laminated plastics are included beginning in 1963. Dollar value is value at port of exportation.

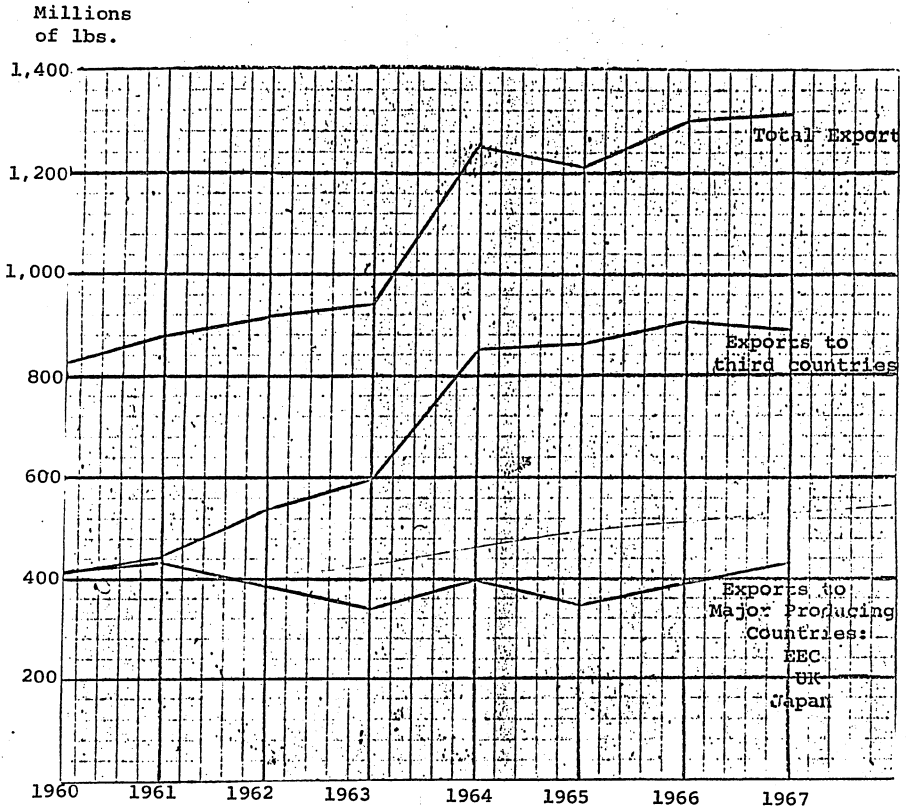
It will be noted that, in the seven-year period 1960-1967, exports from the U.S. increased by 59%. Exports to third countries, however, were up 114%, while exports to major producing countries remained relatively static. Of total U.S. plastic materials exported in 1960, the major producing countries took 50%, and third countries 50%. In 1967, the third country share amounted to 67% and the share for the major producing countries dropped to 33%. The EEC share of U.S. exports dropped from 30% to 20% during this seven-year period. Data summarizing these trends is shown in Table 4, and in Chart 1, as follows:

TABLE 4.—U.S. EXPORTS OF PLASTICS AND RESINS TO MAJOR PRODUCING COUNTRIES AND TO 3d COUNTRIES¹
[Pounds in millions]

	1960	1961	1962	1963	1964	1965	1966	1967
Total exports.....	825.2	879.2	915.1	940.2	1,255.2	1,213.2	1,301.2	1,313.5
To major producing countries.....	414.0	434.6	376.6	341.9	401.0	350.5	393.7	430.8
EEC.....	244.8	262.8	266.3	219.1	242.2	17.9	249.6	265.8
UK.....	83.2	57.0	49.2	67.5	98.2	93.7	96.5	106.6
Japan.....	86.0	114.8	61.1	55.3	60.6	38.9	47.6	58.4
To 3d countries.....	411.2	444.6	538.5	598.3	854.2	862.7	997.5	882.7
Index-total.....	100.0	107.0	111.0	114.0	152.0	147.0	158.0	159.0
To major producing countries.....	100.0	105.0	91.0	83.0	97.0	85.0	95.0	104.0
To 3d countries.....	100.0	108.0	131.0	146.0	208.0	210.0	221.0	215.0
Percent of total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Major producing countries.....	50.0	49.0	41.0	36.0	32.0	29.0	30.0	33.0
3d countries.....	50.0	51.0	59.0	64.0	68.0	71.0	70.0	67.0
EEC percent of total.....	30.0	30.0	29.0	23.0	19.0	18.0	19.0	20.0

¹ Statistical data summarized from table 3, above.

Chart 1

U. S. Exports of Plastics and Resins*

* For basic data, see Table 4 above.

B. PLASTIC PRODUCTS

The largest sector of the plastics industry, numerically, is made up of those companies and individuals who process or manufacture plastic raw materials into products, or who engineer and construct molds, accessory equipment, or machinery used in plastic material fabrication. The products of this large and diverse sector of the industry are more difficult to aggregate and analyze than are the products of the plastic materials sector described in preceding Section A.

In fabrication, plastic materials are used as products or component parts of many other major industries, among the most important being as follows:

- Military equipment.
- Construction.
- Transportation equipment.
- Communications.
- Electrical and electronic equipment.
- Packaging.
- Appliances.
- Furniture and furnishings.
- Coatings.
- Housewares.
- Toys.

In some instances, the final product is made entirely or largely of plastic. For such products, the Society has established a system of monitoring imports on a continuing basis:

- (a) To identify significant trends at an "early warning" stage;
- (b) To provide a basis for informing SPI members on such trends; and
- (c) To provide facts to support SPI recommendations to Government on trade matters.

The Society is now monitoring thirty classifications of plastic products. Imports of the products covered have increased over the past three years as follows:

Year	Total imports, 30 products	Percent increase
1965.....	\$98, 000, 000	-----
1966.....	124, 000, 000	26
1967.....	170, 000, 000	13

Attached to this statement, as Appendix B, is a listing of the classifications of plastic products now being monitored by SPI, and copies of our control charts.

C. CONCLUSION

The foregoing considered, it is the Society's conclusion that, on balance, the duty reductions on plastics materials resulting from the recently-concluded "Kennedy Round" are likely to lead to greater increases in imports into the U.S. from other major producing countries than in exports from the U.S. to such countries. This leads to the recommendation, which we intend to develop further in this statement, that greater stress be placed on enabling the domestic industry to compete more effectively worldwide with special emphasis on third country markets. The Society further recommends that attention also be given to assisting those segments of the domestic industry which are especially import-sensitive by granting relief, where necessary, in the form of appropriate tariff adjustments.

II. THE SIGNIFICANCE OF TARIFF AND OTHER TRADE BARRIERS

One of the major shortcomings of previous tariff negotiations has been an inability to truly come to grips with all of the trade barriers which significantly limit or distort trade. This has proven harmful to the U.S. and has worked to the advantage of our principal trading partners, particularly the EEC.

Heretofore, the major area of trade concession has been in the form of reductions in tariff rates. Since tariffs constitute the major cost barrier to trade with the U.S., it is of immediate and tangible value to our trading partners when such duties are reduced here.

In theory, and as ordered by the provisions of the Trade Expansion Act of 1962, the reduction or removal of duties as barriers to trade is intended to be reciprocal. However, we have found the essential element of reciprocity lacking in many instances by the operation of other barriers to trade. For other countries, many of these barriers constitute impediments to trade of far greater magnitude than the direct duty itself. It is the Society's recommendation that all foreign barriers to trade be reviewed and identified on a continuing basis, that strong efforts be made to remove or offset such barriers where possible, and that they be fully taken into account in all future trade negotiations in which the U.S. participates. In this connection, we are encouraged by the Administration's proposals (page 5 of its Message transmitting the Trade Expansion Act of 1968)⁶ to study and take appropriate action with respect to "non-tariff" barriers to trade and we are most hopeful that the full assistance of industry will be solicited in connection with these efforts.

The Kennedy Round Agreement is virtually limited to trade concession in the form of tariff reductions. We believe that this resulted in non-equivalent reductions tending to favor those countries, such as the EEC, which rely substantially on trade barriers other than tariffs *per se*. To illustrate, let me cite a study made in 1965 covering 14 representative chemical products that move in some

⁶ 90th Cong., 2d sess.—*Committee Print*; Committee on Ways and Means, U.S. House of Representatives; *Proposed "Trade Expansion Act of 1968,"* pp. 4 and 5.