DATE RECEIVED: JULY 15, 1991

NAME OF CORRESPONDENT: THE HONORABLE MARCY KAPTUR

SUBJECT: ASKS THE PRESIDENT TO EXTEND THE VOLUNTARY RESTRAINT AGREEMENT WITH JAPAN AND TAIWAN REGARDING MACHINE TOOLS BEYOND DEC 91

<table>
<thead>
<tr>
<th>ROUTE TO: OFFICE/AGENCY</th>
<th>(STAFF NAME)</th>
<th>ACTION CODE</th>
<th>ACT DATE YY/MM/DD</th>
<th>TYPE</th>
<th>C COMPLETED YY/MM/DD</th>
</tr>
</thead>
<tbody>
<tr>
<td>FREDERICK MCCLURE</td>
<td></td>
<td>ORG 91/07/15</td>
<td>FM A91/07/18</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REFERRAL NOTE:
99 USTR
99 DOC

COMMENTS: Letter sent to all agencies

ADDITIONAL CORRESPONDENTS: 14 MEDIA: L
INDIVIDUAL CODES: 1230

MAIL USER CODES: (A) __________ (B) __________ (C) __________
July 10, 1991

The Honorable George Bush
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20050

Dear Mr. President:

We write today to call your attention to the fact that the Voluntary Restraint Agreement with Japan and Taiwan regarding machine tools is due to expire at the end of the year.

As recent events in the Persian Gulf have demonstrated, a healthy defense industrial base is absolutely critical to America's capacity to defend its friends as well as its vital interests around the world. We would note, Mr. President, that the machine tool industry is at the heart of that defense industrial base. Without machine tools America could not produce the ships, planes, tanks and guns that are so necessary for our military and industrial operations.

Mr. President, the machine tool VRA has succeeded in stemming the erosion of this vital industrial sector during the past four years. In the process, the VRA has allowed U.S. companies the breathing space to reinvest profits and increase new investment in the machine tool industry in this country. All the more remarkable, this has been accomplished without raising the price of machine tools to U.S. industrial customers.

Yet, while the VRA has been a success to date, it would be dangerous to allow it to lapse at the end of 1991. The low prices and high investment levels that have increased quality while keeping costs to U.S. industry at a minimum have also meant low profit margins. This, in turn, has meant that while the industry has held its own and indeed reversed past erosion, it has not yet built up the competitive edge it would need to meet foreign (often subsidized) competition and satisfy defense mobilization requirements should the VRA be lifted.

As an example of the need to maintain and nurture in the U.S. the basic critical technologies used by machine tools, The National Critical Technologies Panel's Critical Technologies Report warns of the danger of further erosion in all critical technologies related to machine tools to Europe and Japan.
We, therefore, ask you to extend the machine tool VRA beyond December 1991. Such an extension would provide the additional breathing space necessary to complete the rebuilding of this vital segment of our defense industrial base while guaranteeing that our nation will have the capacity to respond to any mobilization contingency. Thank you.

Sincerely,

Mary Kaptur
Don Pease
Douglas Ashcroft
Marcy Kaptur
Paul Gillmor
Dennis Eckart
Michael Oxley
Edward Feighan
Rosie McEwen
Bob McEwen
John Boehner
Mary Rose Oakar

THOMAS SAWYER
TED STEINER
LOUIS STOKES
MARY ROSE OAKAR

PHOTOCOPY
MISC. HANDWRITING