

EXHIBIT 1

The U.S. electronics industry as a whole is prosperous today and its annual sales continue to rise, but more than half of our sales are to Government agencies and the military services. If and when a Vietnam peace is negotiated - which we strongly support - a sharp reduction in military requirements may occur. The need for greater exports then will be accentuated.

Meanwhile, our world competitors, often with direct Government support, are growing stronger. The United States has helped rebuild their wartorn industries. We welcome competition in the world market, but we ask that the rules be the same for all participants and that the American electronics industry not be handicapped by higher tariffs and non-tariff barriers and licensing limitations in our rivalry for foreign business.

The U.S. electronics industry in some instances has been able to counter higher tariffs and non-tariff barriers by rapid technological advances. Much of this research has been an outgrowth of our military programs and has been heaviest in military and industrial products. But this advantage is likely to diminish when our defense expenditures are reduced. Meanwhile, our international competitors are rapidly catching up, often with American licenses.

A good deal of attention should be paid to the emergence of new taxing systems abroad which will, when in full swing, disadvantage U.S. exports and simultaneously give an advantage to foreign producers. The rules of the GATT which set up a dichotomy between direct and indirect taxes should be changed so as to permit countries such as ours to remedy these disadvantages and to offset these advantages.

While recognizing the U.S. Government's concern with its unfavorable balance of payments position, and the necessity for action to adjust the situation, we believe that stringent restrictions on foreign investments by U.S. companies is self-defeating of these objectives. Although curtailment of foreign investments would decrease the outflow of capital for the short-term, the long-term impairment of overseas trade would more than outweigh any advantage gained.