

EXHIBIT 2

A marketing analyst must, however, make a realistic appraisal of the situation. He is obligated to correlate the "frozen" E.E.C. rate with a further, economic reality. During a comparable period of time, the tariff rate on semiconductor imports into the U.S. will be reduced from 12.5% to 6.0%.

The present analysis further acknowledges and comments on another basic international marketing principle. The analyst, acting as an agent for a supplier or one seeking a source of supply, must relate the tariff rate on his product category interest to the sum of the intra-industry tariff structure. This is particularly true of the electronics industry, which is characterized by rapid technological developments.

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During 1967, U. S. exports of "Selected Electronic Products and Related Items" to the E.E.C. totaled \$502.3 million, while counterpart imports from the E.E.C. ran \$128.5 million.

The E.E.C. granted no tariff reductions in five product categories; Computers, Semiconductors, T.V. Picture Tubes, Electronic Test and Measuring Instruments and Parts for Instruments. These categories are defined as critical, because they totaled \$244.1 million or 48.6% of U.S. electronic exports to the E.E.C. in 1967. (See Table I, pages 10a - 10b).

In two categories, Computers and Semiconductors, the U.S. started at an overall lower tariff rate and granted 50% reductions. The pre Kennedy Round tariff rate on Computers ran 11.5% and will be reduced to 5.5% by 1972. Semiconductors rates were cut from 12.5% to 6.0% over the same period of time.

The E.E.C.'s Common External Tariff (C.X.T.) for Computers was set at 14.0%; for Semiconductors at 17.0% and no reductions were made. These no reduction rates will be applied against two product categories, which at \$155.0 million accounted for 34.5% of total 1967 U.S. electronic exports to the E.E.C. *

In T.V. Picture Tubes, the trade balance stood slightly in favor of the E.E.C. The C.X.T. was set and held at 15.0%; while the U.S. with a higher pre Kennedy Round rate on Monochrome and lower on Color Tubes will equal out at the set E.E.C. level of 15.0% by 1972.

1967 U.S. exports of Electronic Test and Measuring Instruments to the E.E.C. totaled \$72.2 million. The C.X.T. rate was frozen at 13.0%. During the same year imports from the E.E.C. ran \$11.6 million.

* As of July 1, 1968, the six member countries of the European Economic Community (E.E.C.) will put into effect a Common External Tariff (C.X.T.); that is a product imported into any of the E.E.C. countries will be dutiable at the same tariff rate applicable to that particular product.