

up the quotas among manufacturers, exporter, and importers to avoid a chaotic scramble among competitors for the largest possible share of the quota. Similar arrangements probably would have to be worked out if U.S. quotas were imposed on imports of electronic products. This could have a damaging effect on small business in the United States.

If the experience under other quotas is any guide, the foreign supplier nations would have to allocate the quotas among manufacturers, exporters and importers according to their past historical share of the market. This would freeze the competitive position of individual U.S. companies. The large importers would remain large and the small importers small, and there would be little if any opportunity for growth. Companies such as ours would have no chance to expand their business because their relative position in the industry would be frozen. To say the least, such a situation is hardly compatible with our traditional philosophy of free competition.

Aside from these serious impediments to the management and growth of individual businesses, quotas would create an administrative nightmare. To give you one example, it is proposed that the over-all quota on electronic products and components will be divided among supplying countries by category of product according to market shares during a base period. But electronics is a dynamic industry, and new products are constantly being introduced. The government will certainly not want to discourage innovation by freezing the product mix according to the situation existing in the past. But how are we to open the market to new products to meet the needs of the consumer? The government would have to maintain continuing surveillance over the import quotas to revise the categories and sub-categories of products so as to maintain at least some room for innovation. Furthermore, some administrative means must be provided to relieve short supply situations. All of this means a proliferation of bureaucracy and regulation. I believe that even those who are clamoring today for quota "protection" would eventually discover that the price they would have to pay in terms of government interference in normal business activity is simply not worth the benefits they receive.

In conclusion, I urgently request the members of this Committee to give serious consideration to the practical effect of quotas on the every day operation of business. I submit that there is no need for import quotas in any segment of the electronics industry, and that there is no justification for the disruption of normal marketing, the restriction on competition, and the proliferation of government interference which would inevitably result from enactment of the quota legislation. Thank you.

The CHAIRMAN. We thank you for appearing for Mr. Davidson and presenting his statement to us. We appreciate it.

Any questions?

If not, the committee will recess until 2 o'clock this afternoon. Mr. Adams will be the first witness.

(Whereupon, at 12:25 p.m., the committee recessed to reconvene at 2 p.m., the same day.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. Al Ullman, presiding.)

Mr. ULLMAN. The committee will be in order.

Our next witness is Mr. Adams. I would like to recognize Mr. Burke.

Mr. BURKE. Mr. Chairman, it gives me a great deal of pleasure to present to the committee Mr. Charles F. Adams whose company has many divisions in my State. Mr. Adams with a proud family history has made a great contribution not only in an industrial way but his firm has recognized the great problems about the unemployed and the unemployable. We in Massachusetts are proud of his accomplishments.

Mr. ULLMAN. Mr. Adams, you come highly recommended by our distinguished member from Massachusetts. We are very happy to have you before the committee. With the understanding your testimony will appear in full in the record you may proceed as you see fit.