broader range of customers for products that were made in this country. As a consequence, the company's foreign sales from its domestic plants soared and this in turn was reflected in an increasingly favorable balance of trade. In 1964, Fairchild's Semiconductor Division exported \$1.4 million worth of goods and had a favorable trade balance of \$550,000. By 1967, this division was exporting almost \$28 million worth of goods and its favorable trade balance had risen to over \$11 million. In fact, during that year, the exports of all the divisions of Fairchild had risen to \$39 million and its favorable balance of trade was over \$21 million.

You might ask the question why has Fairchild been able to grow this rapidly. This point has been touched upon in some of the other testimony. It has been because of the superior position which the semiconductor industry and other component manufacturers have had in technology. We have been able to open foreign plants while doubling employment at home. Why has it increased its favorable balance of trade by over \$14 million in 3 years?

In addition to having superior technology to the foreign competitor we have been a company which has integrated its domestic and foreign questions. This is a lesson that I think a lot of companies that worry about the qoutas should learn.

Its skilled jobs we have kept in this country; its most simple and tedious production functions are performed abroad. It freely exports and imports a variety of electronic parts and components. The end result of this integrated manufacturing process is a lower priced product which can compete more effectively both at home and abroad. New markets are opened and sales increase. More employment opportunities are created both here and abroad, and, because the goods being exported are more sophisticated and expensive than those being imported, the favorable balance of trade constantly increases

This process which I have just described is no pipedream. It is the way in which the manufacturing operations of Fairchild and many other American companies operate. Fairchild continues to grow because its production processes and markets are both international. It takes pride in its domestic and foreign plants and in the opportunity to import and export goods freely precisely because these various international operations are serving this Nation's best interests. Not only can Fairchild state that it is helping to increase the U.S. favorable balance of trade and thereby decrease this country's unfavorable balance of payments, but it is also opening a growing number of export-import related jobs. We estimate that from 1964 to 1967, the increased international sales of just our semiconductor division created over 2,100 new jobs at that division's plants in the United States alone. This represents approximately 25 percent of the employment in these plants.

With this background in mind, it is now possible to examine the problems which would arise for the electronics industry if quotas or import ceilings were to be adopted by this Congress. In short, I would like to put much of the general discussion about import quotas and ceilings which you have heard over the past few weeks into the context of the one industry with which I am familiar—electronics.

First, quotas as well as import ceilings are both inflationary and discriminatory. They will normally cause sharp decreases in supply