Fairchild urges that the committee reject the various proposals involving quotas that are before you today.

(Mr. Hodgson's prepared statement follows:)

STATEMENT OF RICHARD HODGSON, VICE CHAIRMAN, BOARD OF DIRECTORS, FAIRCHILD CAMERA & INSTRUMENT CORP.

Mr. Chairman and members of the committee, I am Richard Hodgson, Vice-Chairman of the Board of Directors of the Fairchild Camera and Instrument Corporation.

During the past three and one-half decades, this Nation has followed the principle that expanding international trade means more economic prosperity both for the United States and for the rest of the free world. We have been committed to the concept that the breaking down of national barriers to the free movement of goods and capital is one of the keys to a more inter-related and peaceful world.

Now we appear to be in danger of losing sight of these basic guidelines. The emphasis of too many people—both inside and outside of the Federal government—is to turn away from increased world trade and capital movement and to support instead the idea of an America whose industries are sheltered from foreign competition and whose private investments abroad are carefully regulated.

Evidence of this trend is all too easy to find. The Kennedy Round of Trade Negotiations had barely been completed when literally hundreds of import quota bills were introduced in Congress. Since then, various proposals have been made that the United States unilaterally adopt various surcharges, or surcharges and rebates, to compensate for the existence of foreign non-tariff barriers or, even more drastically, that this country impose a system of import ceilings for any products or articles which have penetrated our market beyond a specified level. These proposals have been coincident with the adoption of regulations by the Executive branch to impose direct controls on foreign investment.

It is the judgment of the Fairchild Camera and Instrument Corporation that these various proposed and existing measures run strongly counter to our best interests as the world's foremost trading Nation. Their thrust is inconsistent with the basic principle that expanded trade, with a concomitant increase in U.S. exports, is not only a fundamental premise on which our international economic position must rest but an essential foundation for the political and economic stability of our various trading partners.

To illustrate the potentially deleterious effects of these trade restricting programs, I would like to turn briefly to an examination of the electronics industry in general and to the Fairchild Camera and Instrument Corporation in particular. I would then like to deal with the problems which would be caused by this country's utilization of import quotas as well as other trade and capital restricting measures. Finally, I would like to offer a few suggestions as to the steps which this Nation might take in order to improve its balance of trade and thereby strengthen its balance of payments position.

I. THE ELECTRONICS INDUSTRY AND THE FAIRCHILD CAMERA & INSTRUMENT CORP.

Electronics is one of this country's most dynamic and growing industries. In 1956, factory sales of all electronic products amounted to $6.7 billion. Ten years later, sales had trebled to $20.2 billion. And this rising sales curve shows no signs of slackening, since the preliminary figures for 1967 reveal an increase to some $22.1 billion.

Imports do not have any significant share of the U.S. electronics market. In 1963, they comprised 2 percent of the market by value—in 1967, they amounted to 3.5 percent of it. During these same years, exports of U.S. electronic products have been growing rapidly and at a faster pace than overall U.S. exports. In 1963, electronic exports amounted to $846,000,000; by 1967 they had soared to over $1.7 billion. The result has been an increasingly favorable balance of trade in electronic products which more than doubled between 1961 and 1967.

The primary reason for this growth in electronic exports has been that American manufacturers enjoy a substantial measure of technological superiority over foreign competitors. Virtually all of the recent creative breakthroughs in electronics have been made by domestic firms. In all markets—whether in the United States or in foreign countries—American firms dominate the production and sale of sophisticated electronic products.