

these countries when they can see that the industry affected is healthy, growing, and maintaining a favorable balance of trade, and when they know that a substantial segment of that industry does not favor such quotas.

In fact, I think it is fair to say that a majority of the electronics industry is opposed to import quotas. At recent meetings of the Electronic Industries Association, four Divisions of that Association—Consumer Products, Government Products, Semiconductors, and Tube—have gone on record as being emphatically opposed to import quotas, while, to the best of my knowledge, only one Division—Parts—has gone on record as favoring them.

B. Import ceilings

It has also been suggested that in place of import quotas, this Nation should adopt a more flexible system of import ceilings with automatic trigger points for certain articles or products. This type of measure is subject to the same criticisms as are import quotas. Not only would it lead to a freezing of current patterns of trade—which is not in this country's best interests—but it would inevitably lead to enormous inequities. For example, let us turn to the electronics industry again. While this country's electronics firms maintain a large and increasingly favorable balance of trade, there are some electronic articles which are largely imported. Are we therefore to set ceilings for transistors or certain types of capacitors because imports have a substantial share of the domestic market? Are we to lose sight completely of overriding trade balances and foreign policy considerations in order to protect certain narrowly specified commodities? If we are, then I think this country should be prepared to see a worldwide reaction against the free movement of its favorite exports—of which electronic products is a prime example. For once this Nation begins to pick and choose those goods which it will protect from competition, then all nations will be entitled to decide that such a narrow and restrictive policy is justified. And in this reciprocal destruction of the open channels of trade, the United States, as both the world's leading trading Nation and the repository of the most advanced technology, must inevitably wind up the greatest loser.

C. Other unilateral restrictions on trade with our allies

In order to improve our balance of trade, other proposals have been put forward to impose high border taxes on foreign goods or to impose such surtaxes with equivalent rebates on our exports. The most disturbing facet of those various proposals is that they imply unilateral action on the part of the United States.

For this country to take any individual action outside of the GATT would be a mistake. The effect would be to re-establish a precedent of unilateral action—and once this is done, the abilities of this Nation to oppose similar unilateral action by its trading partners would be significantly reduced. In the long run, the cause of multilateral decision-making to reduce trade barriers would have suffered a severe setback.

For industries such as electronics—which consistently maintain a favorable balance of trade—the possibility that various foreign countries might begin taking independent steps to redetermine their own trade barriers raises very troubling problems. It would be logical for these barriers to protect against highly sophisticated products in which advanced technology and production efficiency play a great part—and these are the very types of exports in which the electronic industry specializes.

D. Limitations on direct investment

On January 1, 1968, the President—through an executive order—imposed direct controls on foreign investments by U.S. corporations and citizens and established repatriation requirements on the foreign earnings of domestic companies. These were drastic and unprecedented steps to control the flow of capital abroad and force profits to be brought back to the United States. If, in the long run, one of the keys to a viable balance of payments picture for this country is a growing surplus of foreign earnings, and another key is an expansion of the direct investment in foreign corporations which is reportedly generating approximately one-fourth of all U.S. exports, then the recent investment controls are indeed open to serious question concerning their wisdom.

Should these controls be continued over a period of several years, companies such as Fairchild will simply not be able to expand those foreign facilities which are producing the favorable trade balances these companies now maintain. And if this should happen, the direct investment controls will have produced very few positive gains indeed for our balance of payments.