FOREIGN TRADE AND TARIFF PROPOSALS

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HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

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CONTENTS

SUBJECT HEADINGS

WRITTEN COMMUNICATION SUBMITTED BY GOVERNMENT OFFICIAL

ORAL STATEMENTS BY GOVERNMENT OFFICIALS

STATEMENTS OF PUBLIC WITNESSES

MATERIAL SUBMITTED FOR THE RECORD

GOVERNMENT OFFICIALS

FOREIGN TRADE AND TARIFF PROPOSALS

TUESDAY, JUNE 25, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witnesses this morning represent the Electronic Industries Association, Consumer Products Division, Mr. Hoffman, Mr. Fezell, Mr. Allen and Mr. McCauley.

STATEMENT OF GEORGE H. FEZELL, VICE PRESIDENT, CONSUMER PRODUCTS DIVISION, ELECTRONIC INDUSTRIES ASSOCIATION; ACCOMPANIED BY CHARLES N. HOFFMAN, CHAIRMAN; AND ALFRED R. McCAULEY, SPECIAL COUNSEL, DIVISION ON INTERNATIONAL TRADE MATTERS

Mr. FEZELL. Good morning, Mr. Chairman and members of the committee; my name is George H. Fezell. I am president, Magnavox Consumer Electronics Co., 270 Park Avenue in New York City. I am also vice-president of the Consumer Products Division of the Electronic Industries Association, better known as EIA, whose offices are at 2001 Eye Street, NW., Washington, D.C. With me today are Mr. Charles N. Hoffman, assistant vice president, Warwick Electronics, Inc., and chairman of the Consumer Products Division of EIA, Mr. Armin E. Allen, who is vice president and general manager, Consumer Electronics Division of the Philco-Ford Corp. and also chairman of the International Trade Committee of the Consumer Products Division planned to be with us but, unfortunately, he is ill. Also with me is Mr. Alfred R. McCauley who is special counsel to our Division on International Trade Matters. We are here today in behalf of the Consumer Products Division of EIA and Mr. Hoffman and Mr. McCauley will assist me in answering any questions which the committee members may have about the matter at hand.

The CHAIRMAN. We appreciate having all of you with us this morning and are glad to recognize you. If you have to omit any parts of your statement in order to comply with our time situation your entire statement will appear in the record.

Mr. FEZELL. Thank you very much, sir.

The Consumer Products Division numbers among its member companies the majority of the U.S. manufacturers of consumer electronic products—a class of articles which includes color and black and white television receivers, radios, radio-phonographs, phonographs, tape recorders and players, and many other home entertainment articles which serve the needs and desires of the people of this country. The bulk of the products made and sold by the companies in our division and the bulk of the components we use in production are wholly of U.S. origin. However, some of the finished products we sell and some of the components we use in making products here in the United States are imported from foreign sources. It is to these electronic articles—the finished products and components—that our statement relates.

We appear here today in opposition to H.R. 14597, H.R. 17674 and similar bills which would specifically impose quotas on imports of electronic articles and H.R. 16936 and similar bills which would embrace these articles in so-called omnibus quota provisions.

The Consumer Products Division opposes qoutas on imports of electronic articles because they are not needed, they will disrupt the U.S. market for consumer electronic products, and they may—most likely they will—result in retaliatory action which will not only hurt the extremely favorable U.S. balance of trade in electronic products but also hurt the industries concerned and their workers.

QUOTAS ON IMPORTS OF ELECTRONIC ARTICLES ARE NOT NEEDED

Quotas are a severe form of protection against imports since imports in excess of a given quantity are embargoed. I submit that only in exceptional circumstances, where the objective data pertaining to domestic production and sales, exports, and imports show that an industry is being seriously injured by imports, should any thought be given to quotas on imports. Where such data do not show such injury, quotas are not in order.

	1965	1966	1967
Electronic industries:			
Sales	$17,507,000,000	$20,606,000,000	$22,132,000,000
Exports	1,155,432,000	1,446,736,000	1,775,626,000
Imports	506,770,000	744,767,000	830,231,000
Balance of trade	+648,662,000	+701,969,000	+945,395,000
Exports as percent sales	6.6	7.0	8.0
Imports as percent sales	2.8	3.6	3.7
Electronic components:			
Sales	4,695,000,000	5,709,000,000	5,486,000,000
Exports	328,550,000	440,436,000	486,801,000
Imports	111,380,000	174,106,000	174,990,000
Balance of trade	+217,170,000	+266,330,000	+311,811,000
Exports as percent sales	7.0	7.7	8.8
Imports as percent sales	2.3	3.0	3.1
Consumer electronic products:			
Sales	3,641,000,000	4,493,000,000	4,324,000,000
Exports	40,257,000	46,256,000	46,609,000
Imports	287,919,000	385,004,000	449,927,000
Balance of trade	−247,662,000	−338,748,000	−403,318,000
Exports as percent sales	1.1	1.0	1.0
Imports as percent sales	7.9	8.5	10.3

The table was prepared from data contained in the "Electronic Industries Yearbook, 1968," prepared by the marketing services department of EIA.

Mr. Chairman, the vital signs of this industry refute serious injury. Sales have risen steadily—from $17.5 billion in 1965, to $20.6 billion in 1966, to $22.1 billion last year. Sales of over $23 billion are forecast for this year. Exports have risen from $1.15 billion in 1965 to $1.44 billion in 1966 and to $1.77 billion last year. Finally, this industry's favorable trade balance grew from $648 million in 1965 to $702 million in 1966 to $945 million last year.

(*a*) *The electronic component industry does not need quota protection*

The pending quota proposals are supported by companies which are members of the Parts Division of the EIA. It is in order, therefore, to look at the relevant data to see if the overall prosperity of the electronic industries has been enjoyed by those companies which produce, sell and export electronic components.

Factory sales of electronic components last year totaled $5.48 billion, down somewhat from the record 1966 level of $5.70 billion but up almost 18 percent from 1965 sales of $4.69 billion. Industry estimates point to a rise in component sales in 1968. Exports of components climbed steadily from $328 million in 1965 to $440 million in 1966 to a high of $486 million last year. The U.S. parts producers enjoyed a favorable balance of trade of $217 million in 1965, $266 million in 1966, and a record $312 million in 1967.

The component segment of the U.S. electronic industries includes such dynamic companies as Texas Instruments, Fairchild Camera, General Instrument, Sprague Electric and others. Texas Instruments' sales in 1966 of $580 million were almost double 1963 sales. Fairchild in 1966 sold $225 million in products, twice as much business as it did in 1962. General Instrument also doubled its 1962 output in 1966. Sprague Electric's 1966 sales of $141,500,000 established a new record for that company. While each of these companies may have experienced some letdown in sales and earnings in 1967, reflecting some softness in the economy experienced by all of us, their course continued upward.

We respectfully submit, Mr. Chairman, that the components segment of the electronic industries is not depressed. It is aggressive and prosperous, in need of no protection from imports.

Employment data also attest to the sound economic status of the electronic industries and the component segment. In 1967, some 1.2 million persons were employed in electronics manufacturing and related activities. This was almost double the number so employed in 1958 and about 200,000 higher than the employment level of 1964.

The components industry employed some 434,000 workers in 1967, more than double the 205,000 workers on the job in 1958 and up 130,000 over the 1964 level.

The Bureau of Labor Statistics reports that in 1965 exports of electronic components accounted for some 23,000 jobs, up from the 16,000 export-supported jobs in 1960. Given that exports of components have increased over 48 percent from 1965 to 1967—$328 million to $486 million—one must conclude that the number of jobs attributable to exports of electronic components presently exceeds 30,000.

(*b*) *The consumer electronic products industry does not need quota protection*

Thus far I have discussed the facts relevant to domestic sales, employment, exports and imports of all electronic articles, with particular emphasis on electronic components. But as I previously indicated, the quota proposals pending before this committee would also embrace imports of consumer electronic products, and for obvious reasons I would like to turn to this aspect of these proposals.

Basic to the evaluation of any proposal for quotas on imports of consumer electronic products is the judgment on the U.S. producers of products which are similar to those being imported as to the need for such quotas. Thus, at the outset, it is quite germane today that a majority of U.S. producers of consumer electronic products, speaking through the Consumer Products Division of EIA, are opposed to quotas on consumer electronic product imports. I will be happy to supply for the record the names of the member companies which subscribe to the views I state here today. These producers—who are obviously in the best position of all concerned to determine their needs for protection against import competition—submit that their considered views must be given a greater weight than those of others, such as the U.S. component manufacturers, who are not primarily involved so far as imports of consumer electronic products are concerned.

Sales of consumer electronic products increased some 25 percent in 1966 over 1965—from $3.7 to $4.5 billion. 1967 sales were $4.3 billion, almost equal to the sales level attained in the record year 1966. We confidently expect to repeat and most likely to exceed 1966's performance this year.

Employment in consumer products production has trended upward. At the end of 1966, some 144,000 persons were employed in the production of consumer electronic products. Just 5 years previously only 89,000 persons were so employed while in 1958, 73,000 workers were in this industry. Last year's 138,000 employees reflected some soft spots in the economy as a whole in 1967, but the upward trend was not disturbed.

While exports have not been a very significant factor in the consumer electronic products market, never in recent years accounting for as much as 2 percent of sales, nevertheless, the export market for consumer products is growing. In 1965, some $40 million in export sales were made, while in 1966, $46.2 million worth of U.S.-produced consumer products went abroad. Last year exports totaled $46.6 million. It is important to note that the U.S. component industry benefits from this growing export market since it supplies most of the components which go into these products.

Imports of consumer products in 1966 amounted to $385 million, up from 1965 totals of $288 million. In 1967, imports were at $449 million. While imports are presently 10 percent of consumer product factor sales, a much greater ratio than the 3.1 percent comparable component-imports-to-component-sales ratio, nevertheless, U.S. producers of consumer electronic products oppose quotas on consumer product imports. This stand is demonstrably sound and is in the best interests of the American consumer, the consumer products producers and the components producers.

IMPORTS SERVE A USEFUL FUNCTION

Given a number and variety of consumer electronic products which the American consumer desires and the many combination products which he demands, it is unlikely that any U.S. manufacturer will make all of these products. Thus, if a full line of consumer electronic products is to be offered to the American consumer by a U.S. producer, he must obtain from other sources products which he does not produce. He will concentrate his efforts in producing those products which he can make efficiently in volume, thus enabling him to offer to the consumer products whose quality and price reflect these economic advantages. In some instances the only outside source for him for products which he does not make may be a foreign source. The products he acquires from such source generally will be manufactured to his standards for sale under his brand name.

Besides expecting a wide variety of consumer electronic products, the American consumer is very price conscious. Thus, imported pocket-size transistor radios sell like proverbial "hot cakes" because they are priced below $10; they would not sell in any such quantities at prices of $15 or $20. The same is true of small-size black-and-white television receivers and low-priced tape recorders. If all of these products were made in the United States, their prices would be significantly higher than present levels and such higher prices would result in lower sales.

We have prepared two tables which tell the story about prices and their relevance to the size of the U.S. market for consumer electronic products.

TABLE I.—U.S. FACTORY SALES, ALL CONSUMER ELECTRONIC PRODUCTS AND MOST POPULAR PRODUCTS (INCLUDING AVERAGE UNIT FACTORY PRICE)

[Quantity (1,000 units); value ($1,000)]

Class of product	1963	1964	1965	1966
All products	$2,661,469	$2,842,608	$3,620,129	[1] $3,714,195
Radios:				
Value	$520,034	$554,956	$673,807	$728,127
Quantity	18,155	18,888	23,400	24,537
Average unit value	$28	$29	$29	$30
TV receivers:				
Value	$1,067,061	$1,271,206	$1,685,479	$2,278,884
Quantity	7,734	8,713	9,889	11,174
Average unit value	$138	$146	$170	$204
Other:				
Phonographs and record players:				
Value	$174,089	$146,371	$201,286	$217,508
Quantity	3,818	2,832	4,177	4,827
Average unit value	$45	$52	$48	$45
Tape recorders:				
Value	$103,924	$88,382	$106,580	$123,344
Quantity	2,291	1,329	1,787	1,953
Average unit value	$45	$66	$59	$63
Other: Value	$8,819	$8,351	$8,889	$12,740

[1] 1966 "All products" total does not include miscellaneous products of approximately $150,000,000. Data not available.

Source: Current Industrial Reports, 1964, 1965, and 1966, Bureau of the Census, U.S. Department of Commerce.

TABLE II.—IMPORTS, CONSUMER ELECTRONIC PRODUCTS AND MOST POPULAR PRODUCTS, INCLUDING AVERAGE UNIT VALUE

[Quantity (1,000 units); value ($1,000)]

Class of product	1964	1965	1966	1967
Radios:				
Value	$92,965	$125,017	$144,107	$172,135
Units	13,600	19,351	25,129	24,200
Average unit value	6.85	6.45	5.75	7.11
TV receivers:				
Value	39,225	59,586	115,733	125,581
Units	715	1,048	1,524	1,613
Average unit value	54.86	56.85	75.94	77.85
Phonographs:				
Value	20,549	31,129	47,050	30,700
Units	2,357	3,022	4,090	2,819
Average unit value	8.71	10.30	11.50	10.89
Tape recorders:				
Value	46,335	49,689	(1)	(1)
Units	3,266	2,847	(1)	(1)
Average unit value	14.18	17.45	(1)	(1)

1 Not available.

Source: "U.S. Imports of Merchandise for Consumption," reports FT 125 and 135, Bureau of Census, Department of Commerce.

Table I reflects U.S. factor sales of all consumer electronic products and of the most popular products embraced by this class.

Table II reflects imports of all consumer electronic products and of the most popular products included in this class.

The committee will note that in each table in addition to total units and total value, we have given an average unit value for each of the named consumer products. Thus, the average unit value of U.S.-produced radios in 1966 was $30. On the other hand, the average unit value of imported radios that year was $6.60. The comparable figures on color and black-and-white television receivers are $204 for U.S.-produced products and $78.39 for imported products. Phonographs of U.S.-make average $45 per unit, of foreign-make $10.61.

I submit, Mr. Chairman, that these figures show that what we consumer product manufacturers make and sell in the United States and what we buy abroad and sell here are really different products. The availability of the lower priced foreign products complements what we make here. There is no displacement.

Imports, therefore, are primarily responsible for the large volume sales in these basic consumer electronic articles. It is also true that such volume sales of these products bearing the U.S. manufacturer's trade name materially assist the manufacturer in promoting sales of his domestically produced articles.

These imports permit many persons in the United States to purchase entertainment, educational, and informational pieces of electronic equipment which, in the absence of lower priced imports they would be unable to buy. If these imports were curtailed, no one would gain and these consumers would lose.

RETALIATION AGAINST U.S. ELECTRONICS EXPORTS MAY RESULT

Annual U.S. exports of electronics articles are presently near the $2 billion mark. If the United States takes restrictive action against imports of electronic components and products this extremely important outlet for U.S.-made products and components will be in jeopardy.

For example, while Japan and Hong Kong supply substantial percentages of the electronics products sold to the United States, they are also important customers for exports of electronic products, including electronic components, from the United States. Japan's importance as a buyer of U.S.-produced electronic articles is shown by the data in the following table.

Total imports into Japan originating in the United States

Article	*Percent*
Digital computers	91.9
Jukeboxes	94.5
Integrated circuits	99.6
Thermionic valves and tubes	76.4
Silicon transistors	72.4
Parts of radio-navigational aid, radar, or radio remote control apparatus	83.9
Insulated flexible cord	69.7
Oscilloscopes	85.7
VHF transmission and reception apparatus	90.0
Recording tape and wire	77.7
Electrical analysis apparatus	80.9

Source: Japan Ministry of Finance; data are for 1966.

Hong Kong, the principal supplier of transistors and other semiconductor devices to the United States in 1966, was also the chief importer of U.S.-produced semiconductor parts, having purchased $13,100,000 or 43 percent of total U.S. exports.

In sum, U.S. international trade in electronic products is a true two-way street and the United States enjoys a bigger share of this exchange, as these statistics and total favorable balance of trade in electronic articles—$945 million—will show. Any action which would reduce or eliminate this advantage would be adverse to the interest of all concerned.

Thank you, Mr. Chairman, for giving us this opportunity to appear here today.

The CHAIRMAN. We thank you, Mr. Fezell and Mr. Hoffman and Mr. McCauley, for coming to the committee this morning.

Are there any questions of these gentlemen?

Mr. BYRNES. Just one, Mr. Chairman.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. On page 12, Mr. Fezell, you provide a table of the percentage of imports of certain articles into Japan originating in the United States. Would you submit for the record at your convenience the dollar amount that is involved here?

Percentages don't always mean very much. If you are only exporting one item the percentage may be 100 percent.

Mr. FEZELL. Sir, we will be happy to do so.

(The following information was received by the committee:)

The dollar amount of the exports in question is approximately $43 million.

Mr. SCHNEEBELI. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Fezell, on page 4 you list some of the companies in the electronics industry and I don't notice any such well known names as GE, and Westinghouse, and RCA and Sylvania. Aren't they in your group?

Mr. Fezell. The people that we mentioned here were the components manufacturers. Yes; they are. Others are in the components industry. GE I am sure is involved. They are also in the consumer electronics business.

Mr. Schneebeli. They are the four leading companies in the public's mind, aren't they? I was wondering why you omitted the names of them.

Mr. Fezell. Here is the list. Would you like me to read the list of the ones that support our action?

Mr. Schneebeli. Yes.

Mr. Fezell. Admiral Corp.; Ampex Corp.; Arvin Industries, Inc.; Bulova Watch Co., Inc.; General Electric Co.; Harmon Kardon, Inc.; Hoffman Electronics; KLH Research & Development Corp.; Singer; the Magnavox Co.; Motorola, Inc.; Minnesota Mining & Manufacturing Co.; Olympic Radio & Television (Division of Lear Siegler, Inc.); Packard Bell; Philco-Ford Corp.; Pilot Radio-Television Corp.; Symphonic Electronic Corp.; Warwich Electronics, Inc.; Waters Conley Co.; and Westinghouse Electric Corp.

And the nonmembers of the EIA-Consumer Products Division, people that do not belong to our association but who support us here are Curtiss Mathis Television, Emerson Radio & Phonograph Corp., Television Manufacturing of America, Inc. (Muntz TV), and that's it.

Mr. Schneebeli. How about RCA and Sylvania?

Mr. Fezell. RCA abstained. They did not take a side either way.

Mr. Schneebeli. Sylvania?

Mr. Fezell. Sylvania is for quotas.

Mr. Schneebeli. For what?

Mr. Fezell. They are for quotas. They are against our stand. They are not with us on this.

Mr. Schneebeli. Thank you very much.

The Chairman. Mr. Collier.

Mr. Collier. Mr. Fezell, the table on page 12 shows the percentage of total imports into Japan originating in the United States. Permit me to say in all kindness that table doesn't mean too much unless it were translated into actual dollars of imports from the United States.

Percentage of the total imports into Japan is rather insignificant when we speak in terms of the impact upon our economy. Hence what does this really amount to in dollars?

Mr. Fezell. Sir, we have been requested to make available to the committee the information on dollars. I do not have those here.

Mr. Collier. Isn't it true that Japan today has absolute prohibitions on certain types of U.S. electronic equipment?

Mr. Fezell. Sir, I cannot answer that. I do not know that that is not so, but to my knowledge I know of no such restrictions.

Mr. Collier. It was a leading question because the answer is "Yes," and not only that; in the area of electronic components, Japan today is importing electronic components because it is temporarily economically expedient to do so.

If this were not a fact and we accordingly look into the future to see what is involved, let's look at the Texas Instruments-Sony proposal wherein a stipulation provides for Texas Instruments to turn over to the Japanese technical information and their wherewithall in electronic component production; isn't that true?

Mr. FEZELL. I believe that is correct, sir.

Mr. COLLIER. Isn't it obvious then that if this is the situation at some given time in the very near future those components which the Japanese are currently importing will no longer have to be imported? The reason for their importation is an obvious one.

Mr. FEZELL. I am sure that that is a possibility. I can't say that it will happen. There is always the possibility. I don't know the nature of the manufacturing type of equipment that Texas Instruments intends to build over there. That happens to be a little out of my area.

Mr. COLLIER. Do you have figures on what percentage of the world market the United States 20 years ago supplied in table model and transistor radios and what percentage to which it has shrunk in 1967?

Mr. FEZELL. What percentage we had 20 years ago and what it has shrunk to?

Mr. COLLIER. A 20-year period.

Mr. HOFFMAN. Congressman, 20 years ago we accounted for almost the total production; you are speaking about radios as a category only?

Mr. COLLIER. Table model and transistors, the small type.

Mr. HOFFMAN. Right. The U.S. production today would be about 25, 27 percent.

Mr. COLLIER. It was 70 percent at that time; was it not?

Mr. HOFFMAN. It was even higher than that, Congressman. You referred to 20 years ago.

Mr. COLLIER. I am talking about the completed article.

Mr. HOFFMAN. Yes; 20 years ago it would have been in excess of that.

Mr. COLLIER. What percentage of that market does Japan now have, the world market?

Mr. HOFFMAN. It would be broken down between Japan and Hong Kong. They now have a production figure of I think in the mid 20 millions.

Mr. COLLIER. What part of the U.S. domestic market did we have 20 years ago? What part of it have we retained, and what part of that domestic market does Japan have now?

I believe these are totally realistic questions because the figures spell out the situation.

Mr. FEZELL. Sir, let us double check to make sure we give you the right numbers.

Mr. COLLIER. OK. I think we ought to have it.

Mr. HOFFMAN. Congressman, I can read it to you right now: The 1967 factory sales of U.S.-produced home radios, 8,105,000 units; imports carrying a domestic label 4,463,000; imports foreign labels 19,116,000; total imports 23,579,000. The total U.S. home radio market 31,684,000. On the other question you asked me of the 19 million, I would think a substantial part of that 19 million would be Hong Kong.

Then the balance would be Japanese.

On the very inexpensive pocket size "cigarette pack" radios, they have the substantial part.

Now, in Japan they have the higher end of the market. They have more of the better quality AM and AM–FM radios in this category.

Mr. COLLIER. Just one further question. Do you think it would be proper for the U.S. electronic industries to propose exactly the same nontariff barriers that are presently imposed by the Japanese? Do you see anything wrong with this type of reciprocity?

Mr. FEZELL. Sir, would you repeat that. I am sorry. I didn't get the first part.

Mr. COLLIER. I say do you see anything wrong with the United States imposing the same type of nontariff barriers on imports into this country of electronic equipment that are presently imposed on the imports of electronic equipment into Japan?

Is there anything wrong with this type of reciprocity? In other words, if we are going to have trade we merely establish the same barriers, tariff and otherwise.

Mr. McCAULEY. Sir, I would like to answer that if I may. That is one way of course of doing it. But I think that the better way would be to try to get the Japanese to relax their barriers.

Mr. COLLIER. Yes, but what happens in the interim? We talk about reprisals. It seems to me that reprisals for whatever reason are already existent.

Mr. McCAULEY. The Japanese may have the wrong reasons for putting on artificial restrictions on U.S. trade, that is true. It is true that that may be so, but right now the industry we are talking about today is an industry that enjoys a favorable trade balance of $945 million, with total exports of $1.8 billion. It seems to me, in a give and take proposition, if we were to respond to the Japanese and they in turn responded and you had a charge and countercharge or a stroke and counterstroke development, then we, having the greatest share of the trade, would suffer.

Mr. COLLIER. Well, of course share of the trade, does it not develop from your equipment that cannot be——

Mr. McCAULEY. Yes, sir; these are U.S.-made products that are made by the electronic industries. They support jobs. They generate profits and these companies are doing business around the world. It is well, I think, to point out here that the industry you have before you this morning differs in marked respect from the several other industries that have appeared before you prior to today and probably after today.

Mr. COLLIER. Of course you are mixing apples with oranges because you are talking about the broad figures. The figures dealing just with the import and export of electronic equipment between the United States and Japan would be quite significant.

Mr. McCAULEY. That is true.

Mr. COLLIER. So stay with the division before us.

Mr. McCAULEY. That is very true, but I would say that in the GATT complex of nations, where we are dealing with a set of trade rules that apply across the board, if one were to try to operate against Japanese products only this would be a significant departure, it would seem to me, from the historic MFN approach and we would probably get in a lot of trouble with other people.

I would just guess that.

Mr. COLLIER. Let's generalize. In 1967, going across the whole spectrum, we imported more than $3 billion in goods and commodities from Japan while exporting slightly more than $2.5 billion.

That to me doesn't represent a very favorable trade balance.

Mr. McCauley. No, I agree with you; it does not.

Mr. Collier. We have had the same experience in the last 2 years with West Germany, as you are well aware. On the one hand we are told, "Don't break this down by nations because we are negotiating on a wide scale." Then in the next instant we are told, "Well, now, we can't afford to do this. We have to deal with this one industry, or this one commodity, or class of commodities and we have to deal with this within the country."

As of right now I get the impression that we are supposed to deal just singularly with certain nations and certain commodities on the one hand, forgetting the rest, and yet the most ardent proponents of extending the trade negotiations in the 1962 act say we can't look at it in this vein.

We have to look at the whole spectrum.

That is all I have, Mr. Chairman.

The Chairman. Any further questions? Mr. Conable.

Mr. Conable. Mr. Fezell, do you have any figures on what the average hourly wage in the electronics industry is in Japan or in Hong Kong?

Mr. McCauley. We don't have those figures right now, sir.

Mr. Conable. Do you know what the average hourly wage in the electronics industry is in this country?

Mr. Fezell. I believe, sir, it will be somewhere around $2.28. It varies in various parts of the country obviously, but it will be from around $2.28 to around $2.68, somewhere in that area.

Mr. Conable. Is the consumer electronics industry unique in its trade relationships or are there other industries that have the same sort of pattern?

Mr. Fezell. Al, I think maybe you better answer that. I am not too familiar with that area.

Mr. McCauley. I think the basic thrust of what Mr. Fezell said was this; that a good part of the imports that come into the United States of the consumer electronics product variety are not products that displace articles that are made in the United States. They complement the line of products that are made by the several manufacturers in the United States.

Now, I wouldn't be a bit surprised if this were not true in some other industries.

For example, I could assume that if we have a perfume industry in the United States or a toilet water industry in the United States it may very well be that imports of those products find their own market. They find their own level in this country. They do not displace U.S. production. They complement it.

One of the important complementary factors in this particular industry is the fact that where a manufacturer brings in under his own brand name a low-priced transistor radio he has the benefit of a product that bears his name. He has the benefit of a product that he cannot make here and sell at that price. He gets an extremely broad market base and he hopes to capture a number of customers who at one point, as they develop in their economic status, will be buying the more sophisticated, more expensive products that that manufacturer makes.

Mr. CONABLE. Well, I take it that you don't intend to extend the impact of your testimony beyond your own particular industry. Is that correct?

Mr. MCCAULEY. We really can't, except, as I say, I wouldn't be a bit surprised that in other industries you have pretty much the same kind of situation and that is where imports per se, if you take the totality of imports, that the imports do not head on, in the marketplace, displace a domestic made product.

I would assume there are other cases.

Mr. CONABLE. Has your industry taken any position on the overall administration bill?

Mr. MCCAULEY. We have not, sir.

Mr. CONABLE. Do you have any intention of doing so?

Mr. MCCAULEY. We have not really taken a position on it.

Mr. CONABLE. Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?

Mr. BYRNES. Mr. Chairman, just one.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. Referring to the table that appears on page 3, you have a breakdown of the main items that constitute the exports and the imports of the electronic industries. Your table is broken down into electronic industries, electronic components, and consumer electronic products.

I am particularly interested in the main items encompassed in the exports and the imports of this total.

Mr. MCCAULEY. We have a table here that runs rather lengthily. I could insert this in the record and read a few excerpts from it if that is all right with you.

Mr. BYRNES. What would these figures look like if we pulled out computers. I assume that is under electronic industries.

Mr. MCCAULEY. Yes; it is, sir. I can give you that.

Mr. BYRNES. We do export a considerable amount of our computers to Western Europe; don't we?

Mr. MCCAULEY. Yes, sir; we do.

Mr. BYRNES. And there is none of that going to Japan as such that is significant; is there?

Mr. MCCAULEY. I don't know that, Mr. Byrnes. I do have the totals on computers.

Mr. BYRNES. I was under the impression that Japan restricted imports of computers because they are attempting to get their own industry established. They were also placing obstacles in the way of American computer producers who wanted to establish plants in Japan in order to have access to at least part of the market.

Mr. MCCAULEY. There were press reports about the Sony-Texas Instruments arrangement.

Mr. BYRNES. Yes. As I understand it, they have been negotiating to try to put a plant into Japan as a method of getting their knowhow into Japan, using Japanese labor.

Mr. MCCAULEY. But I believe that will be pursuant to a license agreement if I am not mistaken.

Mr. BYRNES. That is what I am saying. It is a complete restriction. They decide whether or not you can establish a plant to say nothing of whether you can export something to Japan.

Mr. McCauley. I agree.

Mr. Byrnes. I was really interested in what the pictures would look like if you took out this large item of computer exports. It is a big export industry.

Mr. McCauley. I have the computer figure here. For 1967 our U.S. exports of computers, which would include digital computers, components for computers, and parts and accessories, were $432,518,-000, a little less than a fourth of total exports.

It may help the record if I read these major companies.

Mr. Byrnes. All right, go ahead. As far as I am concerned it is sufficient for me if the totals are in the record, but go ahead.

Mr. McCauley. On broadcast radio and television transmitters and that type of equipment our exports were $77.8 million. Communications equipment, which is the telephone variety, radio communications systems, and whatnot, our exports were $163.9 million. Computers I gave you, $432.5 million.

Mr. Byrnes. Does that include the input and output type?

Mr. McCauley. On the receiving?

Mr. Byrnes. Yes. That is all right. Go ahead. I'm sorry for interrupting.

Mr. McCauley. Detection and navigation equipment, our exports were $144.7 million. Testing and measuring instruments, oscilloscopes and articles such as that, our exports were $339 million and under miscellaneous other we had $83.2 million.

Then in components, which break down into tubes, semiconductors, parts, and miscellaneous, our exports were $486.8 million as we stated in the statement.

Mr. Byrnes. Would the generalization be correct that the greater portion of these go to Western Europe?

Mr. McCauley. I think so. I think that would be true.

Mr. Byrnes. Very little goes to Japan or any area such as that?

Mr McCauley. I would think so.

Mr. Byrnes. Thank you very much.

The Chairman. Thank you, gentlemen, very much for coming to the committee and bringing to us your testimony.

Mr. Fezell. Thank you, sir.

(The following supplemental statement was received by the committee:)

Supplemental Statement of Consumer Products Division of the Electronic Industries Association

A case for quotas on imports of consumer electronic articles has not been made

Speaking to the Committee on Ways and Means in behalf of some U.S. manufacturers of electronic parts and components, the Parts Division of the Electronic Industries Association (EIA) urged legislation imposing quotas on imports of consumer electronic products and parts.[1] The Consumer Products Division of EIA, which testified on June 25 before the Ways and Means Committee in

[1] Those U.S. electronic parts and components manufacturers who do not agree with the Parts Division's request for quota legislation have notified the Committee on Ways and Means of this fact. The Distributor Products Division of EIA and the American Loudspeaker Manufacturers Association are joined in the Parts Division statement.

opposition to import quotas on electronic articles, has analyzed the presentation of the Parts Division and concludes that a case for quotas on imports of consumer electronic products and parts has not been made.

QUOTAS SHOULD NOT BE IMPOSED WHERE THERE IS NO IMPORT-CAUSED SERIOUS INJURY TO THE DOMESTIC INDUSTRY CONCERNED

The accepted standard to determine whether quotas on imports should be considered is—

". . . where the *objective* data pertaining to domestic production and sales, exports and imports show that an industry is being seriously injured by imports . . ." (Consumer Products Division's Statement.)

When data are "selected", "computed" or otherwise "tailored", they are not objective. And not one iota of objectivity is added to such data by clothing them in travelogue rhetoric.

In our statement to the Committee on Ways and Means we presented the objective data relevant here. For convenient reference we restate these data here:

	1965	1966	1967
Electronic industries:			
Sales	$17,507,000,000	$20,606,000,000	$22,132,000,000
Exports	$1,155,432,000	$1,446,736,000	$1,775,626,000
Imports	$506,770,000	$744,767,000	$830,231,000
Balance of trade	+$648,662,000	+$701,969,000	+$945,395,000
Exports as percent of sales	6.6	7.0	8.0
Imports as percent of sales	2.8	3.6	3.7
Electronic components:			
Sales	$4,695,000,000	$5,709,000,000	$5,486,000,000
Exports	$328,550,000	$440,436,000	$486,801,000
Imports	$111,380,000	$174,106,000	$174,990,000
Balance of trade	+$217,170,000	+$266,330,000	+$311,811,000
Exports as percent of sales	7.0	7.7	8.8
Imports as percent of sales	2.3	3.0	3.1
Consumer electronic products:			
Sales	$3,641,000,000	$4,493,000,000	$4,324,000,000
Exports	$40,257,000	$46,256,000	$46,609,000
Imports	$287,919,000	$335,004,000	$449,927,000
Balance of trade	−$247,662,000	−$338,748,000	−$403,318,000
Exports as percent of sales	1.1	1.0	1.0
Imports as percent of sales	7.9	8.5	10.3

Source: The table was prepared from data contained in the Electronic Industries Yearbook, 1968, prepared by the Marketing Services Department of EIA.

These data are taken unadorned, unmodified, and unqualified from the official Electronic Industries Association source. We have not refined them. We have not selected some data and omitted others. We have not otherwise offered an incomplete picture. We have presented all of the relevant data in a "let-the-chips-fall-where-they-may" approach.

With this as prologue, we turn now to an analysis of the Parts Division's argument, and the data they proffer in support thereof, that quotas are needed on imports of consumer electronic products and parts in order to protect U.S. manufacturers of electronic parts from series injury due to imports.

THE ARGUMENT OF THE PARTS DIVISION IS BASICALLY ERRONEOUS

The Parts Division argues that since the only imported articles which it wants regulated are consumer electronic products and components thereof, analysis of the merits of this request must be restricted to domestic sales, exports and imports of this narrow class of articles. They insist that those charged with analyzing their claim of import-caused serious injury must not take into account U.S.-produced parts and components which are sold domestically or which are exported for use in making non-consumer electronic products.

Thus, the Parts Division opens its argument by stating that there is

". . . no single 'industry' known as the electronic industry. Instead, a group of distinct industries is referred to as the 'electronic industries' because the articles they manufacture have one thing in common—the utilization of an electronic circuit."

We agree that there are a number of separate industries embraced by the term "electronic industries". Thus, there is a consumer electronic products industry, a defense electronics products industry, and so forth, and to a large extent the products produced by one such electronic industry are commercially different from the products produced by the other electronic industries.

But all of the electronic industries have one thing in common: in producing the products they make they need electronic parts and components. And they obtain these needed parts and components from the U.S. producers of such parts and components.

The Parts Division does not disagree with the fundamental fact that the market served by U.S. producers of electronic parts and components embraces the entire output of all of the electronic industries. As they so succinctly state it—

"Electronic parts and components are the building blocks from which finished electronic products . . . are assembled."

Since electronic parts and components are indeed the building blocks from which *all* finished electronic products are assembled, then the economic state of the U.S. electronic parts and components industry can only be assessed by analyzing the overall condition of the total electronic industries of the United States. Just as the Parts Division bases its claim for quota relief on its interest in the fortunes of the consumer electronic industry, it has an equally important interest in the defense, space, and industrial electronic industries. It is somewhat disingenuous for the Parts Division to argue that only their interest in consumer products and components is relevant here. We submit that their entire interest—the totality of electronic industries—is the focal point for the economic analysis needed in assessing their claim of serious injury.

The steel industry analog used by the Parts Division is quite apt here, though their use of it is erroneous. Thus, they argue that when one analyzes import impact on the steel industry, he does not sweep: ". . . into the data every type of article made in this country which contains steel."

But this is precisely what is done. Any economic assessment of the impact of imports on the U.S. steel industry starts with an analysis of the output of U.S. steel mills *in toto*. Whether such steel is sold by the U.S. steel mills to the auto industry, to the ship-building industry, to one or more of the electronic industries or to a foreign buyer is beside the point. The pertinent consideration is the production of steel—and all steel production is taken into account at the threshold of the economic analytical process.

Thus, we accept the steel industry analog offered by the Parts Division. And just as total U.S. steel mill output is counted in any assessment of the impact of imports on the U.S. producers of steel, so also must the total output of the U.S. electronic parts and components industry be counted in any assessment of the impact of imports on that industry.

The relevant U.S. industry here, therefore, is the U.S. industry producing electronic parts and components. It is the economic status of this industry—measured by its total market, domestic and foreign—which is in issue.

THE RELEVANT OBJECTIVE DATA SHOW THAT THE U.S. ELECTRONIC PARTS AND COMPONENTS INDUSTRY NEEDS NO IMPORT QUOTA PROTECTION

The electronic industries of the United States, the users of the parts and components made by the U.S. manufacturers of such articles, sold some $22.1 billion in goods last year and industry forecasts point to sales of over $23 billion this year. The 1967 record level topped 1966's performance by some $1.5 billion and was almost $5 billion above 1965 sales.

These industries did equally well on the export side. Exports of $1.15 billion in 1965 increased in 1966 to $1.44 billion. Last year a record $1.77 billion of U.S.-produced electronic articles were sold to foreign buyers.

The U.S. producers of parts and components participated fully in these ever-increasing domestic and foreign sales of electronic products. Thus, factory sales of electronic parts and components totalled $5.48 billion in 1967, up 18 percent over 1965 sales of $4.69 billion. The industry forecasts a rise in sales in 1968. Exports of components climbed steadily from $328 million in 1965 to $440 million in 1966 to a high of $486 million last year. U.S. electronic parts and components producers enjoyed a favorable balance of trade in parts and components alone of $217 million in 1965, $266 million in 1966, and a record $312 million last year.

These data do not show any injury whatsoever, much less the serious injury which must precede consideration of import quota protection. The electronic industries as a whole, and the parts and components industry in particular, are viable, prosperous industries in need of no protection from imports.

Notwithstanding this, the Parts Division asserts a claim of import-caused injury and offers its own data to show such injury. We turn now to an analysis of their data.

(*a*) *Units versus value*

As previously indicated, the Parts Division asserts that the only relevant data are those relating to domestic sales, exports and imports of consumer electronic products and parts and components for such products. We have already demonstrated the unrealistic nature of such assertion.

But even in the narrow statistical vein in which they choose to force this discussion, the Parts Division finds it is expedient and necessary to concoct new rules for presenting what they consider are the relevant statistics. They argue that import data, to be really meaningful, cannot be expressed in value figures; one must look at imports in terms of units. Moreover, they say, each consumer product imported must be counted twice: (1) As a product, (2) as a composite of component parts. Thus, you first count an imported radio as one radio unit, then you count the same radio as an import of so many receiving tubes, so many capacitors, so many diodes, etc.

The objective of computing import data in terms of units rather than value is quite transparent. A presentation in units is more impressive than one in value. 2,377,600,000 units is more frightening than $24 million.

Counting finished products twice—as products and as composites of components—is equally sticky. The resulting inflation of the figures serves to permit more flowery narrative than would otherwise be the case.

The Parts Division knows that in a hearing dealing with trade policy, the relevant consideration is the balance of trade. They also know that trade balances are always expressed in values, not in units. It is somewhat amateurish to go against this accepted practice of discussing trade questions and to resort to unorthodox statistical plays in order to arrive at exaggerated results.[2]

While we have difficulty in corroborating some of the unit figures used by the Parts Division, especially those which purport to be conversion of imported products into their components, the use of unit figures in analyzing imports of consumer electronic products is particularly misleading. In stating imports in terms of units, the Parts Division forcefully implies that each imported unit displaces a U.S.-produced unit. This is not so—and they know it .

We demonstrated in our principal statement to the Committee that the bulk of the consumer electronic products imported into the United States complement what can be, and is, made in the United States. We showed that whereas the average unit value of U.S.-produced radios in 1966 was $30, the average unit value of imported radios was $5.75. Similarly, a U.S.-produced television receiver in 1966 was valued at $204 per unit; imported receivers were valued at $78.39 per unit. Phonographs of U.S. make averaged $45.00 per unit; of foreign make $10.61.

We respectfully submit that these value spreads of 300, 400, or 500 percent are conclusive evidence that the products in question are commercially different. The imported radio or television receiver or phonograph does not displace a U.S.-made product. The import find their own market and serve that market. If the imports were not available, these markets would dry-up. U.S. products would not fill the resulting void.

The premise for the unit-statistical approach is, therefore, wrong. The drama of numbers running into the hundreds of millions and billions is dissipated.

Thus, even in the self-serving, narrow frame of reference which the Parts Division has created here, their unit statistics prove nothing. They should be relegated to the "useless" information file where they belong.

(*b*) *Employment data*

The Parts Division points to the fact that while the electronic components industry employed 396,300 workers in October 1966, employment in April of 1968 was 350,400. This they say represents a loss of 45,900 jobs.[3]

[2] Moreover, the Parts Division's "unit" trade balance approach is glaringly deficient. Nowhere do they express U.S. exports in terms of unit.

[3] The Bureau of Labor Statistics employment figure for April 1968 is 375,100 (see table on following page). This figure reduces the alleged "job loss" to 21,200.

While Mr. Curtis in his colloquy with the spokesman for the Parts Division set the record straight and demonstrated the error in this claim of a loss of jobs, we are constrained to add just a few thoughts.

It is patently disingenuous for the Parts Division to take two average monthly employment figures—one the highest average monthly employment in the history of the parts industry and the other a lower monthly figure taken from a slack period—and compare the two and then conclude that some 45,900 workers lost their jobs. It would have been equally wrong for us to have taken the employment figures for April of 1964 and April of 1966 to show a gain in jobs of 102,900. The only relevant employment data here are all of the data, not data selected by the Parts Division or by us. Here are those data:

EMPLOYMENT STATISTICS: ELECTRONIC COMPONENTS INDUSTRY

	1964	1965	1966	1967	1968
Annual average	264.8	307.1	381.5	360.6	(1)
January	259.8	280.5	351.9	393.2	352.4
February	258.3	283.3	360.9	385.8	352.7
March	258.8	286.1	367.9	378.0	374.4
April	258.3	290.7	374.3	365.3	[2] 375.1
May	259.4	294.6	378.3	354.9	[2] 376.0
June	260.1	301.7	387.3	344.4	
July	257.9	303.9	384.1	342.4	
August	264.4	311.5	392.2	351.5	
September	270.2	319.1	392.3	351.8	
October	274.2	330.1	396.3	353.3	
November	277.6	338.3	395.9	352.6	
December	279.0	344.8	395.9	354.2	

[1] Not available.
[2] Preliminary.

Sources: Bulletin No. 1312-4 and "Employment and Earnings and Monthly Reports on Labor Force," Bureau of Labor Statistics, Department of Labor.

While these data, as all such figures, show some peaks and valleys, it cannot be disputed that employment in the electronic components industry is trending upwards. Employment this year is picking up at a good pace and no doubt 1968 will at least equal and may even top, record 1966 employment.

We submit that these objective employment data in full are the only relevant figures. As with so many other statistical series, selectivity distorts the picture and can be very misleading.

The employment data also attest to the sound economic status of the U.S. electronic parts and components industry. Like the sales figures given previously, they negate any claim of serious injury and support the rejection of a plea for quota relief from imports.

IMPORT QUOTAS WILL HURT THE U.S. PRODUCERS OF CONSUMER ELECTRONIC PRODUCTS

In our main presentation to the Committee on Ways and Means we demonstrated the role imports play in the marketing of all consumer electronic products. We showed how the availability of imports materially assists in the marketing of U.S.-produced articles by permitting the U.S. manufacturer of consumer electronic products to offer a full line of products to the consumer.

The Parts Division attempts to lower our standing before the Committee on Ways and Means by characterizing the members of Consumer Products Division of EIA for whom we speak as "importers and some manufacturers of products such as radios, televisions, tape recorders, and phonographs."

Of course any one who imports a product, even an American tourist who brings back a box of Dutch chocolates, is an importer. To the extent that companies which are members of the Consumer Products Division import some of the products they sell and some of the components they use, they are in that sense "importers".

But to say that because these companies do import some of their products—"They are the importers; we are the domestic producers" is an irresponsible appeal to emotionalism. The companies the Parts Division classifies as "importers" in its attempts to capitalize on the prejudically-oriented dichotomy between "importers" and "domestic producers", include such American companies as Admiral, General Electric, Motorola, Magnavox, and Westinghouse, to name just a few. That these companies are just as much American producers as any of the companies for which the Parts Division speaks is patently obvious. Collectively they employ hundreds of thousands of workers in the United States in the production of billions of dollars worth of U.S.-made products. They need no defense from any one as to their overwhelming standing as U.S. producers of electronic articles.

The Parts Division accuses these "importers" of wanting "to protect their investment in foreign plants" while the Parts Division "U.S. producers" want "to protect [their] investment in American plants, and . . . the employment which [their] U.S. investment has created."

The weakness of the merits of their case is thus sharply outlined by resort to this type of shocking invective. Of course it is true that some of the member companies in the Consumer Products Division have investments in foreign plants and obviously they desire to protect these investments. Their interest in protecting their foreign investments no doubt is matched by the interest of some of the member companies of the Parts Division who also have extensive investments abroad. We do not find it strange that these member companies of the Parts Division should take this attitude toward their foreign holdings and we are not prepared to label such an approach as "un-American".

But the member companies of the Consumer Products Division—some of whom are named above—have far greater investments in the United States which call for a greater protective attitude. This is so obvious as not to require any listing of the billions of dollars of investment which our companies have in United States plants and facilities. We know that the Committee on Ways and Means fully appreciates that the companies who oppose the Parts Division's request for quota restrictions on electronic articles are acting out of a reasoned concern for their own U.S. interests and the interests of their U.S. workers.

CONCLUSION

We respectfully submit that there is no case for the imposition of quotas on imports of consumer electronic products and parts and components.

ALFRED R. MCCAULEY, *Special Counsel.*

(The following letter and attachment were subsequently received by the committee:)

GRAUBARD, MOSKOVITZ & MCCAULEY,
Washington, D.C., June 27, 1968.

JOHN M. MARTIN, Esq.,
Chief Counsel, Committee on Ways and Means,
Longworth House Office Building, Washington, D.C.

DEAR MR. MARTIN: I am enclosing a memorandum of the Magnavox Company, dated September 17, 1967, which opposes any move to remove the present temporary partial suspension of duty on imported color television picture tubes.

Because of developments at the hearing on June 25, 1968, we respectfully request that the memorandum be inserted at the conclusion of Mr. George E. Fezell's testimony on that date. For the record, the Consumer Products Division of the Electronic Industries Association supports the Magnavox position as reflected in this memorandum.

Very truly yours,

ALFRED R. MCCAULEY,
Special Counsel to Consumer Products Division, Electronic Industries Association.

MEMORANDUM OF THE MAGNAVOX CO. ON COLOR TELEVISION PICTURE TUBES

I. INTRODUCTION

The Tube Division of the Electronic Industries Association (EIA)[1] and the Imports Committee of that Division, under date of July 11, 1967, filed a joint

[1] The Electronic Industries Association (EIA) is the national industrial organization of electronic manufacturers in the United States. EIA is composed of a number of divisions, one of which is the Tube Division. Another division of EIA is the Consumer Products Division of which the Magnavox Company is a member.

It is important here to note that the Tube Division does not, indeed cannot, speak for the Electronic Industries Association; it speaks only for its own division.

petition with the Committee on Ways and Means (hereinafter "Committee") which requests the Committee to—

> "favorably consider and report a bill rescinding the unexpired portion of the moratorium extended to August 31, 1969, on payment of the full import duties applicable to imports of color television picture tubes previously granted in Section 54(b) of the Tariff Schedules Technical Amendments Act of 1965." (Petition, p. 1).

Simply stated, the petition asks Congress to repeal prematurely the present temporary rate of duty on imports of color television picture tubes of 12 percent ad valorem and to increase that rate to 30 percent ad valorem immediately.

In support of this requested immediate 150 percent increase in the current duty on color t.v. picture tubes, petitioners allege that:

1. The reasons for the establishment by Congress of the present temporary lower rate of duty on color t.c. picture tubes, if they ever existed, no longer exist;
2. The U.S. producers of color television picture tubes and the producers of glass bulbs for such tubes are experiencing economic distress which is manifested by the "idling of capacity" and by the necessary "laying off of large numbers of workers";
3. Sales of color television receiving sets have failed to increase as expected and, accordingly, existing domestic productive capacity is not being used and there is "widespread reduction in production, reductions in hours worked by employees in tube plants, and job layoffs";
4. Imports of color television sets and of color television picture tubes "have increased strongly". There has been an "upsurge" of imports of color television sets early this year. Imports of color television picture tubes are on a "steep rise" and are contributing to the market disruption which is "plaguing the industry".

On July 28, 1967, The Magnavox Company advised[2] the Committee on Ways and Means that it opposes the action sought by his petition because of the serious consequences such action would have on Magnavox' operations in the United States. At that time Magnavox indicated that it had not had an opportunity to analyze all of the assertions made in support of this petition but that it believed that a review of all of the pertinent facts and their analysis would show that—

> "the requested action is unwarranted and if taken will have a serious adverse impact on this company and many others who are similarly situated."

Now that Magnavox has reviewed this matter in depth it can unqualifiedly state that its preliminary conclusion concerning the merits of this petition is sound and correct. It is abundantly clear, as will be demonstrated herein, that—

1. The reasons which led the Congress to provide a temporary rate of duty on color t.v. picture tubes of 12 percent ad valorem are as valid today as they were in 1965;
2. U.S. producers of color t.v. picture tubes and of glass bulbs for such tubes are not experiencing any economic distress whatever;
3. While sales of color t.v. receiving sets thus far in 1967 have not increased at the overly-optimistic rate expected by domestic television set makers such sales are at very satisfactory levels now and all indications are that they will be at new record levels in the months to come; and
4. Imports of color t. v. picture tubes (the only imported product involved in this petition) have been, and will continue to be, at such small levels, absolutely and relative to domestic production and sales (including sales for export) as to constitute no significant factor in the U.S. market for color t. v. picture tubes so far as U.S. producers of such tubes are concerned.

II. THE IMPORTS IN QUESTION AND THE RELEVANT U.S. INDUSTRY

At the outset, the dialogue concerning this petition and the action it requests must be brought into focus. The petitioners seek a recision of the present temporary 12 percent ad valorem rate of duty on color t. v. picture tubes so that imports of such tubes will immediately be assessed with a duty of 30 percent ad valorem—i.e., they seek an increase in the present tariff of 150 percent.

While the Committee appreciates that the only facts relevant to this requested action are those concerning imports and U.S. production and sales (including sales for export) of color t. v. picture tubes, petitioners either do not understand this primer consideration or they choose to ignore it in their zeal to

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[2] Letter to Hon. Wilbur D. Mills, Chairman, Committee on Ways and Means, from George H. Fezell, vice president-sales manager of The Magnavox Co., 270 Park Ave., New York, N.Y.

"make a case" where none exists. Thus, they complain not only about imports of color t. v. picture tubes, but also about imports of color television receiving sets. In support of their requested 150 percent increase in the current duty on color t. v. picture tubes, they cite instances of unfortunate worker lay-off actions by U.S. companies which the public record shows, and which petitioners know, were based in large part either upon market conditions involving black-and-white television sets or on considerations other than imports of color t. v. picture tubes. They recite statistics which serve their purpose while they minimize or fail to mention others which bear more closely on the truth of the issue at hand.

Petitioners' submission is also confusing—"apples and oranges" are indiscriminately mixed or compared as suits the desired end—which the Committee will appreciate makes analysis difficult. But at the outset, this mark of confusion is itself significant. As is so with all "shot-gun" type approaches, petitioners acknowledge by this tact that their case is weak and show their awareness that success here depends largely upon diverting attention from the relevant factors.

Since, as is previously indicated, the issue here is whether Congress should increase the present duty on color t. v. picture tubes, attention must be paid at the outlet to data concerning U.S. production, sales and imports of such tubes. Also very relevant are the data pertaining to U.S. exports of color t. v. picture tubes.

In 1966, U.S. factory sales of color t.v. tubes amounted to 5.6 million units valued at $620 million while imports of such tubes in that year amounted to 79,657 units valued at $6,480,174.[3] Thus, imports amounted to slightly more than 1 percent of U.S. factory sales—a classic *de minimus* situation.

Data for the January-May, 1967, period do not alter this picture. U.S. factory sales in this period were 2,547,000 units valued at $267,435,000 while imports were 62,000 units valued at $4,703,000.[4] The slight increase in imports in this period does not disturb the *de minimus* character of imports—imports are still entering at a rate of less than 2 percent of U.S. factory sales.

Thus, these basic relevant data militate against petitioners' claim for an immediate 150 percent increase in the tariff on color t.v. picture tubes. Neither the absolute figures on imports nor any upward trend one might read into them are cause for concern by U.S. producers of color t.v. picture tubes, much less a basis of a claim of injury or threat thereof to the U.S. industry concerned. These basic data show that the petitioners' fears are completely unfounded and their claim for higher tariff protection is baseless.

Other very pertinent data—relating to U.S. exports of color t.v. picture tubes—omitted by petitioners, not only buttress the conclusion one must draw from the basic data, *supra,* but also demonstrate the incredible nature of petitioners move to shut off the small number of color t.v. picture tubes being imported into the United States.

In 1966, total U.S. exports of television picture tubes (both color and black-and-white) amounted to 808,204 units valued at $15,978,402.[5] While the official U.S. statistics do not break this total down into its color and black-and-white picture tube components, the U.S. industry reports that its black-and-white t.v. picture tube sales for export in 1966 amounted to 251,400 units.[6] Thus, U.S. color t.v. picture tube exports in 1966 amounted to 556,804 units, or 68.8 percent of total U.S. t.v. picture tube exports.[7]

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[3] Figures on factory sales from *Electronic Industries Yearbook, 1967,* p. 53 and import figures from *Import-Export Bulletin,* December, 1966, p. 32, both prepared by Marketing Services Department of EIA.

[4] *Electronic Trends,* May 1967, prepared by Marketing Services Department, EIA, pp. 21 and 25.

[5] *U.S. Exports, Report FT–410,* U.S. Department of Commerce, Schedule B Commodity Number 7293010, December, 1966.

[6] *Electronic Industries Yearbook, 1967,* Table 41, p. 51.

[7] The Committee will no doubt be surprised, and perhaps even disturbed, as is Magnavox, by the implications reflected in the extremely low value—$15,978,402—reported by the Department of Commerce on 1966 total t.v. picture tube exports of 808,204 units. Given that of these exports, some 69 percent, or 556,804 units, were color t.v. picture tubes, the resulting average unit value per exported color t.v. picture tube is about $20.00 per tube. Magnavox is offered color t.v. picture tubes by U.S. tube makers at the following prices:

Tube size	*Price*
19-inch	$87
21-inch	98
22-inch	118
25-inch	130

The simple arithmetic average of Magnavox' unit prices is $108.25 per color t.v. picture tube, or about 5½ times the average unit value of U.S. color t.v. picture tube 1966 exports.

In the first seven months of 1967, total U.S. exports of t.v. picture tubes (both color and black-and-white) amounted to 259,200 units valued at $8,530,492.[8] No industry figures on either color or black-and-white export sales are available, so the components of this total figure cannot be identified with certainty. However, if the 1966 ratio of color and black-and-white exports prevailed during January-July, 1967, then some 178,840 color t.v. picture tubes have been exported thus far this year.

It is to be regretted that an industry which enjoys such a healthy export market, in absolute terms, as does the petitioners' industry here should request that Congress shut-off imports of color t.v. picture tubes which cannot be more than a mere annoyance to the petitioners. The petitioners' 1966 exports, as the figures above show, were almost 7 times the volume of imports and 1967 figures to date indicate that an equally high multiplier will prevail this year. In these circumstances one can only imagine what the retort of this industry would be if the host countries receiving American color t.v. picture tubes were to impose tariffs which in effect prohibited such exports. As the Committee knows, a fundamental factor in trade analysis is the impact on U.S. exports which tariff action on the part of the U.S. might have. What would it profit the domestic industry producing color t.v. picture tubes if it were to gain the elimination from the U.S. market of the small number of imports of foreign-produced color t.v. picture tubes and at the same time lose the lucrative markets it presently enjoys for its tubes abroad? The answer is obvious. The present petition is short-sighted. Indeed, if it is granted, it might provoke a "cure" much more painful to all concerned than the alleged "illness".

In sum, the basic data show that the U.S. industry producing color t.v. picture tubes is not being, and indeed can not conceivably be, adversely affected by the minimal quantities of color t.v. picture tubes being imported into the United States. Imports are but a tiny fraction of U.S. sales. Equally important, they are a small fraction of U.S. exports of color t.v. picture tubes.

Thus, if the domestic industry producing color t.v. picture tubes is in poor straits, its condition cannot be laid, in whole or in part, at the door imports. But the fact of the matter is that this industry is not in any economic distress; it is a healthy industry, healthier than many other U.S. industries are today.

III. THE DOMESTIC INDUSTRY CONCERNED—THE PRODUCERS OF COLOR T.V. PICTURE TUBES—IS NOT IN A DISTRESSED CONDITION

As previously indicated, petitioners have liberally sprinkled their submission to the Committee with some of Webster's choicest adjectives and adverbs aimed at convincing the Committee that the domestic producers of color t.v. tubes are in dire circumstances due in substantial measure to imports of such tubes. The industry is said to be experiencing economic "distress". It is alleged that production and employment in the industry is "suffering" and that the domestic market is in a state of "disruption".

While the all-important basic data concerning domestic sales, sales for export, and imports, cited in the previous section of this memorandum, belie this claim of import-oriented distress, the facts are that this industry is not in any distressed circumstances whatsoever. Its component companies are doing very well indeed, much better in fact than many other U.S. companies.

The U.S. producers of color tubes include such outstanding companies as General Electric, the Radio Corporation of America (RCA), General Telephone and Electronic's Sylvania Division and others who are equally prominent in their own right.

The three named producers account for the majority of U.S. production of color t.v. picture tubes. Each of these producers is also a producer of color t.v. sets, i.e., each of them is an integrated color set manufacturer which consumes a large part of its own tube production in the production of color sets.

While admittedly the recent earnings of the U.S. companies producing color t.v. picture tubes have fallen below 1966 record levels (a rather widespread condition among U.S. companies as the tax-writing Committee on Ways and Means well realizes) none of these companies can be classed as being in a state of economic "distress". That this is true is attested to not only by objective data such as those previously discussed but also by statements of these producers concerning the state of their economic health.

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[8] Supplied by Department of Commerce from preliminary figures in part not as yet published.

Thus, General Electric told its shareholders recently that its "Consumer Electronics Division realized the year's [1966] fastest growth among the Company's consumer goods businesses." It elaborated on this as follows:

"... Porta-Color TV, other portable TV sets ... [and other consumer electronic products] led the way.

"Sales of large color TV receivers were limited for the major part of the year by a shortage of color tubes * * *" [9]

RCA recently told its shareholders that—

"The year 1966 was one of vigorous performance for the Radio Corporation of America ... Sales and profits surpassed all previous records for the fifth successive time and by a greater amount for a single year than ever before.

* * * * * * *

"... Our sales and profit momentum is continuing strongly in the first quarter of 1967." [10]

Neither the contribution of color television set sales to RCA's 1966 performance nor the expectations regarding this market in 1967 were overlooked:

"The vastly increased manufacturing capacity of the color television industry is responsive to the mounting public demand for color ...

"A $51-million expansion program was initiated in 1966 by the RCA Victor Home Instruments Division, most of it related to color. In addition, construction was started on a new color television picture tube manufacturing plant in Scranton, Pa., and a new plant in Puerto Rico to make electron guns for color picture tubes. With our increased facilities in color and other consumer products, we expect to achieve a $1-billion level in total sales of all home instruments in 1967.

"... We are confident that the long-range result will be a vigorous computer business that may well contribute as substantially to RCA sales and earnings in the 1970's as color television and other home instruments do today." [11]

General Telephone and Electronics told its shareholders that 1966 was "an excellent year" and that there is evrey indication that in 1967 the "electronics" industry "will continue to grow at a substantially faster rate than the economy as a whole." [12] General Telephone and Electronics advised its shareholders that—

"Record sales were also achieved in color television sets [and] picture tubes ..." [13]

and reported that its Sylvania Division set "new records" in sales and earnings:

"Sales of Sylvania ... Color Bright 85 picture tubes reached record levels in 1966, and further expansion of manufacturing operations was undertaken to meet heavy demand." [14]

Without belaboring the point, the record shows that the U.S. companies which produce color t.v. picture tubes are not faring badly at all. Certainly none of them are in a depressed condition.

Thus, not only do the basic data preclude any finding of import-caused injury to the U.S. industry producing color t.v. picture tubes but the facts also show that this industry is not in any injured or depressed state. It is a healthy industry, prospering at every turn. Certainly the imports here in question have no effect on—indeed they cannot affect—this industry's economic well-being.

For these reasons, the petitioner's claim for an immediate, substantial tariff increase on imports of color t.v. picture tubes must be rejected. Petitioners have failed to show any reason why they need any tariff relief whatever, much less the extraordinary relief they press for in their petition.

IV. THE COLOR TELEVISION RECEIVER INDUSTRY IS NOT A DEPRESSED INDUSTRY

Petitioners plead that the industry to which they must look to sell their color t.v. picture tubes—the color t.v. receiver industry—is also depressed. Here again,

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[9] *1966 Annual Report of the General Electric Company*, p. 15. As an integrated color t.v. set producer, General Electric's color t.v. picture tube production and sales would closely parallel its color t.v. set production and sales. Thus, its bullish expressions about its color t.v. set market apply equally to its color t.v. picture tube market.

[10] *1966 Annual Report of the Radio Corporation of America*, p. 3.

[11] *Ibid.*, pp. 4–5. RCA is also an integrated color t.v. set maker. See note 9, *supra*.

[12] *General Telephone and Electronics 1966 Annual Report*, p. 3.

[13] *Ibid.*, p. 5.

[14] *Ibid.*, p. 18. Sylvania is also an integrated color t.v. set maker. See Note 9, *supra*.

a picture of "gloom and doom" is projected and the Committee is told that the future of this industry is dark indeed.

At the outset, the petitioners claim that both the color t.v. picture tube industry and the color t.v. receiving set industry have increased their respective productive capacities far in excess of their requirements. They blame this development on the fact that "sales of color television receiving sets have failed to increase at the rate which the industry in 1965 expected would be the case." [15] Petitioners view the claimed excess capacity with alarm and use this as their principal basis for requesting the tariff increase on color t.v. picture tubes.

It is certainly true that to date in 1967 sales of color t.v. receiving sets have not kept pace with the expectations of most observers as these hopes were expressed in mid-1966. At that time, the industry was witnessing an unprecedented consumer demand for color receivers. Many set makers were unable to meet this demand and, because they believed that this demand would continue unabated, even increase, they took steps to increase their capacity to turn out color sets so as not to be caught short in 1967 and subsequent years.

But the failure of 1967 color t.v. set sales thus far to keep pace with the hopes of the industry is a far cry from proving that the industry is in a depressed state. Indeed, color t.v. receiver sales in Jan.-May, 1967 reached 1.7 million units valued at $707,531,000 [16] a mathematical annual rate which matches 1966 sales of 4.7 million units.[17] But this first -part 1967 performance was reached in a period when the U.S. economy as a whole was sluggish and when consumer spending was at a critical low-point.

The second-half of 1967 promises to see some sigificant reversal of the first-half for U.S. industry in general and U.S. color set producers in particular. Thus, a report in the *Weekly Television Digest* of July 24, 1967 reflects this turn-around:

> "*There's been some sales lift,* fairly good pace of dealer ordering, but mid-summer color sales picture looks pretty much as you'd expect for any high-ticket home entertainment product. Manufacturers are still confident of good consumer buying beginning in Aug. or Sept.—but it hasn't started yet.
>
> "*Dealers are expressing confidence* by beginning to stock for fall, but in relatively conservative manner. Good news came last week in distributor-to-dealer sales figures for holiday week ended July 7—up 26% from last year's same week (see State of the Industry). It was first increase over 1966 in 6 weeks.
>
> " '*Business is pretty good* but is isn't showing up in the numbers.' We've heard this again & again in last few weeks. Probable explanation is that industry sales figures for last 4 weeks have included fewer than normal RCA sets as result of strike which choked off production through July's first week.
>
> "*RCA is now in production,* although it's officially in vacation period. Company encouraged employes to work through vacation, and quite a few chose to, according to RCA Sales Corp. Pres. B. S. Durant. He told us RCA has 'shortage of merchandise right now.' He reiterated forecast of good fall, saw 1967 sets being cleaned up in short order with '68-model prices holding firm. He even mentioned possibility of price increases later in model year if 'significant cost pressures' can't be designed out of sets.
>
> "*There were individual company reports* of improved sales. Philco-Ford reported June was best single sales month in its history, for all consumer products, with color TV sales 238% ahead of June 1966, console phonos up 7%. Magnavox, too, said its June orders showed sharp upsurge, resulting in significantly higher mid-year backlog than in 1966 . . . "(Page 9).

In sum, this is far from a depressed industry. Its present performance is keeping pace with an unprecedented 1966 record (a development which no doubt is the envy of other industries producing consumer goods) and signs indicate that 1967 will be another record year.

Notwithstanding the facts to the contrary, the petitioners insist that the color t. v. set producing industry is in a poor state. To prove their point, the petitioners have chosen a number of news reports which they have paraphrased and which they offer to the Committee to support their claim. Thus, they submit the following capsulized comment on a news report concerning Owens-Illinois:

> "Owens-Illinois, a major supplier of glass bulbs for color television picture tubes, reported on April 19, 1967, a 36.6% drop in earnings, and said

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[15] Petition, p. 6.
[16] *Electronic Trends*, May, 1967, p. 6.
[17] *Electronic Industries Yearbook, 1967*, p. 11.

that one major factor causing this was the 'failure of color television to live up to expectations.' (*The Evening Star*, April 20, 1967)." (Petition, p. 6).

The body of the news item referred to reads as follows:

"Failure of color television to live up to expectations in the first quarter of 1967 was one of the factors leading to a decrease in earnings for Owens-Illinois, Inc., compared with the first three months of 1966, shareholders were told.

" 'Not only was the TV bulb market soft, but the attrition was particularly severe on the items in which our company had established itself as the principal supplier,' chairman J. P. Lenis said." (*The Evening Star*, Washington, D.C., April 20, 1967, p. A22.)

At the outset, the failure of color television to live up to expectations is not cited as a "major" factor in the depressed earnings of Owens-Illinois for the first quarter of 1967; it is "one of the factors". Moreover, whatever problems this company is having with sales of glass tubes for color t.v. picture tubes, they are not import-caused:

"* * * Costly problems in the manufacture of color TV tube envelopes, a temporary imbalance in bottle inventories, and start-up costs related to new plastic and paper facilities, are the principal factors accounting for the decline. By far the most significant of these difficulties is the TV tube envelope situation. Production problems now seem to be resolved, however, and Owens-Illinois expects to regain quickly its position in this field, which is second to Corning Glass works * * *." [18]

In its 1966 Annual Report to its shareholders Owens-Illinois discussed the 4th quarter 1966 decline in earnings, a situation which no doubt continued into the 1st quarter of 1967:

"While total sales for 1966 were 10% ahead of 1965, net earnings increased only moderately over last year and did not fully reflect the increased sales volume. Earnings for the first three quarters exceeded those of last year, but fourth quarter earnings were lower than the comparable period of 1965. This was due to reduced efficiencies and higher labor costs at several key locations caused by efforts to operate at maximum capacity in areas of extremely tight labor availability, to preoperating and start-up costs on new facilities, and to interest expense in financing the expansion program." [19]

A number of news reports in the Wall Street Journal are summarized as follows:

"General Electric laid off 1,350 workers in December 1966 and 1,075 workers in February 1967 at its Syracuse, New York, television and electronic components plants, and shut the entire television plant down for a week in February. GE furloughed an additional 300 workers at its Portsmouth, Virginia, television plant in January 1967. (*The Wall Street Journal*, January 26, 1967; January 12, 1967; February 24, 1967)" [20]

The cited news items contain these additional points which, while omitted from the summary set forth in the petition, are quite relevant to the matter at hand and must be included if the record is to be complete and accurate:

"* * * A GE spokesman at Portsmouth added that the layoffs there were due to a 'slump' in black-and-white TV sales. . . ." (*The Wall Street Journal*, January 12, 1967, p. 2).

"The February closedown will affect production of color and monochrome TV sets in screen sizes 18 inches and larger. . . .

* * *

"In Syracuse, Gilbert Dwyer, GE manager of relations and utilities, said, 'The unusually high levels of business activity in the first three quarters of 1966 led to employment levels far exceeding what GE believes to be optimum for Syracuse. . . .

* * *

" 'Broad seasonal fluctuations are a way of life in TV manufacturing, 'Mr. Dwyer said. 'Notwithstanding the annual adjustments, GE's TV employment has shown a steady increase in recent years.' " (*The Wall Street Journal*, January 26, 1967, p. 5).

Manifestly, the bare reference to "lay offs" is meaningless without these significant qualifying comments. Moreover, it is somewhat disingenuous to use

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[18] Investment Opinion Letter, Johnston, Leman & Co., July 21, 1967, dealing with Owens-Illinois.

[19] *Annual Report 1966 Owens-Illinois*, p. 2.

[20] Petition, pp. 6–7.

figures which relate to company actions based on market factors concerning black-and-white television sets in a petition seeking an increase in the tariff on color t.v. picture tubes.

Again, petitioners give their version of another news report as follows:

"Westinghouse furloughed 600 workers at its TV-radio plant in Edison, New Jersey, and also cut back on production of color television sets in January 1967. (*The Wall Street Journal*, January 12, 1967)." [21]

But the news story also included this comment:

"Despite the layoffs at Edison, Westinghouse said its labor force there remains 30% above the year-ago level and 100% above the number employed in January 1965." (*The Wall Street Journal*, January 12, 1967, p. 2).

Before this Committee can assess the real impact of the reported Westinghouse action, it obviously must have all of the facts.

A news report of a lay-off at General Electric's Syracuse, New York plant is summarized as follows:

"General Electric laid off an additional 1,500 production workers at its Syracuse, New York, television and electronic components plants in March 1967, in the third major round of furloughs at those plants. Dwindling sales of color television sets was cited as a primary factor in the cutback. GE also shut down its Syracuse plants for a week in March in a fourth effort to cut inventories in face of the decline in television set sales." (*The Wall Street Journal*, March 1, 1967).[22]

The news story contained the following significant statement:

"Company spokesman said the major TV department work suspensions and employe cut-backs stem from a 'decline' in black-and-white set sales and a 'slower than anticipated' growth in color set sales. . . . (*The Wall Street Journal*, March 1, 1967, p. 7).

Again, completeness and accuracy demand not only including the role of black-and-white set sales decline in the lay-off picture but refraining from converting "slower than anticipated growth" into "dwindling sales".

Another lay-off action news report is paraphrased as follows:

"Standard Kollsman laid off about 1,200 workers at its Melrose Park, Illinois; Oshkosh, Wisconsin; and Ottumwa, Iowa, television-tuner plants in April 1967." (*The Wall Street Journal*, May 2, 1967).[23]

Omitted is this very significant fact included in the same news item:

"A Standard Kollsman spokesman noted that some of the layoffs lasted only a few days." (*The Wall Street Journal*, May 2, 1967, p. 2).

A news report of Admiral Corporation's first quarter 1967 loss in earnings is digested by petitioners as follows:

"Admiral Corporation suffered a loss of $275,843 in the first quarter of 1967 in comparison with earnings of $3,667,115 in the first quarter of 1966, as a result of the softening in demand for color television sets. Admiral's television and component plants at Harvard and McHenry, Illinois, and Sun Prairie, Wisconsin, were closed in April 'for considerable periods of time.'" (*The Wall Street Journal*, May 5, 1967).[24]

But this same news story contained facts which showed that Admiral's officers were not overly concerned:

"* * * At the meeting, Mr. Siragusa said management felt the dividend should be paid because the slackening in color-television demand was only 'temporary'. * * *

"Admiral is rapidly getting into the production of 18-inch and 20-inch rectangular color tubes, the executive said. The company's tube facilities, which previously produced only 23-inch tubes, operated at a 'substantial profit' last year, he said.* * *" (*The Wall Street Journal*, May 5, 1967, p. 6).

It is abundantly clear that the domestic industry producing color t.v. receiving sets is not in any depressed state. While it is true that this industry set its sights rather high and its sales thus far in 1967 have been short of this mark, nevertheless the industry is doing well and is on its way to another record year in 1967.

It is equally apparent from the full record that no case of import-caused injury or threat of injury is present here. Petitioners know this, else they would not have found it necessary to be so selective as to the facts they presented to

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[21] Petition, p. 7.
[22] Petition, p. 7.
[23] Petition, p. 8.
[24] Petition, p. 8.

the Committee nor would they have found it expedient to omit relevant facts so clearly known to them.

In these circumstances, the Committee should reject this petition forthwith.

V. THE ROLE OF IMPORTS OF COLOR TELEVISION PICTURE TUBES

The Magnavox Company accounted for a large percentage of U.S. color t.v. picture tube imports in 1966 and in the first half of 1967. Another large importer of such tubes is a U.S. company which is a member of the Tube Division of EIA, one of the petitioners herein.

While Magnavox' color picture tube imports are large in relation to total imports of such tubes, they are relatively small in relation to Magnavox' total purchases of picture tubes. Indeed, Magnavox buys in excess of 90 percent of its color t.v. picture tube requirements from U.S. companies who are among the petitioners herein.

As the Committee knows, Magnavox is not an integrated color television set manufacturer. Several of the components needed for building a color t.v. set Magnavox must purchase from outside sources, either domestic or foreign. In many cases—such as the case with color t.v. picture tubes—the outside domestic sources available to Magnavox are also producers of color t.v. receiver sets which are sold in competition with sets made by Magnavox. In other words, Magnavox purchases color t.v. picture tubes from its competitors in the color t.v. receiving set industry.

In its report on H.R. 7969, 89th Congress, the bill which became the Tariff Schedules Technical Amendments Act of 1965 and which established the present temporary 12-percent duty on color t.v. picture tubes, the Senate Committee on Finance described Magnavox' posture as a color t.v. set producer which does not produce color t.v. picture tubes as follows:

> "While many television set manufacturers in this country also produce picture tubes, there are other set manufacturers who are not equipped to manufacture tubes but must rely on their integrated competitors or other sources for picture tubes they need for their sets. Without access to a reasonably priced source of picture tubes for their color sets these manufacturers would be unable to compete in the expanding market for color television picture sets in this country." [25]

In all respects, this statement remains true today. "Without access to a reasonably priced source of picture tubes" for its color television sets, Magnavox "would be unable to compete in the expanding market for color television picture sets in this country."

Following this fundamental economic mandate, Magnavox has sought out "reasonably priced" sources for its color t.v. picture tube needs. It has made a decision to purchase the lion's share of its color tube requirements from domestic color t.v. tube sources; at the same time, it has been forced by the economics of the situation to purchase a small part of its needs abroad.

The ironic feature of this present move to raise the duty on Magnavox' color t.v. tube imports by 150 percent is that it originates with those U.S. companies which enjoy in excess of 90 percent of Magnavox' color t.v. tube business. These companies are well acquainted, therefore, with the whole spectrum of Magnavox' color t.v. tube needs. They know also that the domestic prices of color picture tubes similar to those purchased from abroad by Magnavox are not compatible with this economic imperative.

In these circumstances, Magnavox can only conclude that the petitioners are seeking to preclude Magnavox from purchasing its limited foreign color t.v. picture tube requirements at a reasonable price and are seeking to force Magnavox to purchase 100 percent of its color t.v. picture tube requirements from U.S. producers of such tubes—the petitioners herein. Since a tariff increase on color t.v. picture tubes is not needed to remedy or prevent any injury because there is no such injury or threat involved, Magnavox has no choice but to reach this conclusion.

Removing Magnavox' area of choice as to where it can buy certain of its color t.v. picture tubes at reasonable prices can only hurt Magnavox and its workers.

[25] Senate Report No. 530, 89th Congress, p. 9.

For if Magnavox' competitive potential is impaired, its operations will be hurt and those who depend on a viable production program will suffer. Even under the most compelling circumstances the government should be extremely reluctant to take any action having such dire consequences. But here, where there is no reason, much less a compelling reason, to take the action proposed by the petitioners, fair play and common sense dictate that no such action should be taken.

We respectfully submit that the small quantities of color t.v. tubes which Magnavox purchases from abroad are important to Magnavox. Reason and logic require that Magnavox be permitted to continue to have access to these needed color t.v. set components without any additional tariff burden.

VI. CONCLUSION

We have demonstrated in the preceding sections of this memorandum that there is no basis for the petitioners' request for a 150 percent increase in the present duty on color t.v. picture tubes. We have shown, moreover, that such an increase in this tariff will materially affect Magnavox and its workers.

The present temporary rate of duty of 12 percent ad valorem was established by Congress in 1965 to run for approximately four years. On the basis of this action by Congress, Magnavox (and no doubt others similarly situated) has made plans and commitments which are intricately concerned with the preservation of this 12 percent rate of duty at least until 1969. These plans and commitments involved the expenditure by Magnavox of a good deal of time, effort and money. These corporate actions were taken in good faith and reliance on the continuance of the *status quo* as regards the tariff on color t.v. picture tubes.

It is inconceivable that Congress would now consider increasing this duty, unless, as we acknowledged previously, overwhelming and compelling reasons mandated such action. Since there are no such reasons extant, we respectfully submit that justice and equity require that the present 12 percent duty on color t.v. tubes not be increased.

For the reasons given herein, we urge the Committee to reject the petition in question.

Respectfully submitted,

THE MAGNAVOX CO.,
ALFRED R. MCCAULEY,
JOHN E. BAKER,
Attorneys for the Magnavox Co.

Of Counsel: Graubard, Moskovitz & McCauley.
September 13, 1967.

(The following statement and letters were received by the committee:)

STATEMENT OF FRANK L. RANDALL, JR., PRESIDENT, AMPEREX ELECTRONIC CORPORATION

I am Frank L. Randall, Jr., President of the Amperex Electronic Corporation. Amperex welcomes this opportunity of expressing its views on trade and tariff proposals before this Committee, as they affect the electronics industry.

Amperex Electronic Corporation is a manufacturer of electronic tubes, semiconductors, integrated circuits, passive components and electronic circuit modules. It has seven factories in three states and investments in two companies with factories in two other states. Total employment is 1500.

Manufacturing locations are:

(1) Hicksville, New York (electronic tubes)
(2) Hauppague, New York (passive components)
(3) Patchogue, New York (electronic circuit modules)
(4) Slatersville, Rhode Island (semiconductors)
(5) Slatersville, Rhode Island (electro-optical devices)
(6) Cranston, Rhode Island (integrated circuits)
(7) Hoboken, New Jersey (warehouse, packing and branding)

Investments include:

(1) Reeve Electronics, Inc., Chicago, Illinois
(2) Science Accessories Corp., Southport, Connecticut

Amperex Electronic Corporation is opposed to any legislation which would hamper international trade, for the following reasons:

1. International trade creates industry for the United States. Amperex in the early 1950's embarked on a program of importing European components, creating a market and establishing manufacturing facilities for these products to serve this market place. Its growth from a small factory in Brooklyn to its present seven locations is concrete evidence of imported products creating jobs and opportunities for local citizens as well as serving industry as a component supplier.

2. International trade makes available to the United States the research and development from abroad which assists our domestic industry in staying at the forefront of industrial progress. Amperex has introduced products from the research laboratories of Free Europe which have assisted our customers in maintaining their leadership in their particular field and has served industry by making available the most advanced technologies. Two outstanding examples are now being manufactured in our electro-optical device factory in Slatersville, Rhode Island. These are the Plumbicon Camera Pickup Tube now used by all manufacturers of Studio Quality Color T.V. Cameras. Another is the Image Intensifier X-Ray Tube which is used by all manufacturers of radiological instruments.

3. The balance of trade is outstandingly favorable to the Electronics Industry. Statistics have already been presented to this Committee showing the favorable balance of trade in the total Electronics Industry, Industrial and Military Equipment and Components. Only in the consumer products area do imports exceed exports.

4. Low priced consumer electronics products serve a market place which cannot be served by domestic industry because of our higher costs of manufacture. Millions of low income citizens of our country are exposed to entertainment and educational opportunities that would be unavailable to them because of price if they were not supplied from overseas production.

5. Domestic industry is stimulated and afforded the opportunity to expand in local markets which were developed initially by low priced imported products.

6. The export market provides a fertile field for expansion of our domestic economy by supplying foreign market places. Restrictive action on our part would most certainly provide retaliatory measures by nations in our important overseas markets.

7. The robust health and growth of the United States Electronic Industry certainly attests to the fact that we can thrive in restriction free world trade.

We strongly recommend that the Ways and Means Committee not taken any action which would endanger the position of the United States Electronic Industry and its position in the World Market Place.

* * *

Resolution passed at the General Membership Meeting of the Tube Division, Electronic Industries Association, June 5, 1968, at Chicago, Illinois, inserted in this record by Frank L. Randall, Jr., President, Amperex Electronic Corporation.

"Whereas: It is an unassailable economic fact that free and equal International Trade is desirable and;

"Whereas: Import quotas, dumping and other non-tariff barriers are restrictive and tend to stifle International Trade,

"Therefore, be it resolved: The Tube Division of the Electronic Industries Association is opposed to dumping, non-tariff barriers, and the establishment of import quotas or any restrictive devices and supports all effort to eliminate import quotas and other measures which restrict imports, as presently imposed by other nations and;

"Be it further resolved: The Tube Division of the Electronic Industries Association reserves judgment on the use of restrictive devices as a defensive measure against nations who employ import quotas or other restrictive devices as a deterrent to International Trade and;

"Be it further resolved: The Tube Division of the Electronic Industries Association supports equity in foreign trade and that it is the proper function of this organization, all Member Firms and the Federal Government to actively promote and work to assure the establishment and maintenance of such equity in foreign trade."

ELECTRONIC INDUSTRIES ASSOCIATION,
Washington, D.C., July 12, 1968.

Hon. WILBUR D. MILLS,
Chairman, House of Representatives,
Committee on Ways and Means,
Washington, D.C.

DEAR MR. CHAIRMAN: The Government Products Division of the Electronic Industries Association represents United States manufacturers of special electronic systems and equipment required by the Government.

I have been directed to inform you that this Division, at its recent annual meeting, voted to associate itself with EIA's Consumer Products Division in opposing any import quotas on electronic articles.

Sincerely,

WM. H. MOORE,
Staff Vice President, Government Products Division.

ELECTRONIC INDUSTRIES ASSOCIATION,
Washington, D.C., July 10, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. MILLS: The Semi-Conductor Division of the Electronic Industries Association, representing the United States manufacturers of semi-conductor devices supports the position of the Consumer Products Division of the Electronic Industries Association, as stated before your Committee on June 25, 1968, as opposing the imosition of import quotas on all electronic articles.

Sincerely,

F. E. JAUMOT, Jr.,
Chairman, Semi-Conductor Division.

The CHAIRMAN. Mr. Hobbs, we are glad to have you with us this morning and if you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENT OF CLAUDE E. HOBBS, CHAIRMAN, FOREIGN TRADE COMMITTEE, NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION; ACCOMPANIED BY BERNARD FALK, VICE PRESIDENT

Mr. HOBBS. Mr. Chairman, thank you. My name is Claude E. Hobbs. With me is Mr. Bernard Falk, vice president of the National Electrical Manufacturers Association.

I am director of government relations, Westinghouse Electric Corp. I am here today as chairman of the Foreign Trade Committee of the National Electrical Manufacturers Association, which we abbreviate as NEMA. Westinghouse is a member of that association. NEMA's membership consists of approximately 475 manufacturing firms, the principal U.S. manufacturers of electrical and allied products. Products covered by the association are used in the generation, transmission, distribution, and utilization of electrical energy. A list of our membership and the product sections has been supplied to the committee staff.

The CHAIRMAN. Mr. Hobbs, if you omit any part of your statement do so with the knowledge that the entire statement will appear in the record.

Mr. HOBBS. We have culled the statement down to where it will be just about as brief to read it, Mr. Chairman, without inserting any voluminous material in the record.

The CHAIRMAN. All right. Go right ahead.

Mr. HOBBS. NEMA suports the international trade policies of the United States as set forth in section 102 of the Trade Expansion Act of 1962, as follows:

"The purposes of this act are, through trade agreements affording mutual trade benefits—(1) to stimulate the economic growth of the United States and maintain and enlarge foreign markets for the products of U.S. agriculture, industry, mining, and commerce; and (2) to strengthen economic relations with foreign countries through the development of open and nondiscriminatory trading in the free world . . ."

Our views on the conduct of U.S. foreign trade policy are essentially the same as they were prior to the Kennedy round. In preparation for that round of tariff negotiations in 1964, NEMA testified before the trade information committee that, in general, we were basically a free-trade industry, that we supported the Government's efforts to reduce virtually all barriers to world trade in electrical products and that, with rare exceptions, we would not request that the products of our industry be reserved from negotiations.

We pointed out that there were a limited number of electrical products which were deserving of special consideration in the negotiations.

One group of products we felt then and still believe to be particularly deserving of separate attention is what we call heavy electrical equipment—the large, high-technology turbine generators, power transformers and power circuit breakers used by electric utilities for the generation and transmission of electric energy. This is because there is not free and open international trade in this equipment. Foreign manufacturers can and do sell it in the United States. But we cannot sell such equipment in their markets because it is excluded by nationalistic buying policies. Simply stated, here is one-way trade in a large industry in which the United States has always excelled. Therefore, in 1964, we requested that U.S. tariffs on these products not be reduced unless the nontariff barriers of other countries were also reduced in a manner which would provide U.S. manufacturers access to foreign markets for such products equal to the access of similar foreign equipment to U.S. markets. Nevertheless, U.S. duties on this equipment were cut the full 50 percent in the Kennedy round, without any foreign country concessions to open up their protected home markets to U.S. competition.

We are confident that a more favorable trade balance can be achieved if U.S. manufacturers of electrical equipment used by electric utilities are given a fair opportunity to compete in Europe and Japan, which could also improve certain competitive conditions in the U.S. market.

American purchasers of utility equipment from foreign manufacturers reached new levels in 1967, when orders placed with foreign supplies by U.S. utilities exceeded the cumulative total of all such purchases during the preceding 75 years. Nearly $250 million of such equipment was ordered from abroad last year by both Government-owned and investor-owned utilities.

In determining proper future trade policy of the United States, critical questions for American manufacturers of large electrical equipment are whether they are to be given a genuine opportunity to compete abroad on fair terms, and what appropriate steps our Government should take to bring this about.

To understand this problem it is necessary to know some of the facts about electric utilities in the principal countries of the free world which have industry capable of manufacturing large generating and transmission equipment used in electric utility systems. These nations, other than the United States and Canada, are principally the countries which are members of the European Common Market, the European Free Trade Association, and Japan.

In varying extent the electric utility systems in most of these countries are owned, operated, or controlled by government agencies. Their purchases of large electrical equipment are either controlled by, or are fully responsive to the policies of their governments. None of them will buy large electrical equipment from American manufacturers, with the limited exception of equipment of advanced design which their home manufacturers cannot yet make. In the unusual case where a utility in one of these countries buys an advanced, larger and more efficient steam turbine generator or a nuclear plant from a U.S. manufacturer, they are usually buying a prototype with a tie-in licensing arrangement making the designs and detailed manufacturing instructions available to one of their home manufacturers.

Many of these countries have plants and personnel capable of manufacturing large electric generating and transmission equipment. Usually they have the capacity to make more equipment than their home country utilities need year after year. For example, while all, or most, of the capacity of British manufacturers of large power transformers is used for supplying the British home market in some years, in other years they have excess capacity available for export sales. This is true with respect to manufacturers of a whole range of other electrical equipment in Britain and also in other industrialized countries. They often seek export sales in the United States at prices lower than they obtain in their home country markets. Realizing high profits in their protected home markets, they thus obtain the wherewithal to capture sales in the United States at greatly reduced prices.

During the past 10 or 15 years, the principal U.S. purchasers of large electrical equipment from foreign suppliers have been agencies of the U.S. Government—TVA, Bonneville Power Administration, Bureau of Reclamation, and the Corps of Engineers. Many of these purchasers were at prices considerably below those then being received by the foreign manufacturers for similar equipment in their home markets.

U.S. Government policies of long standing have encouraged this one-way trade in electrical equipment despite recommendations for reciprocity in Government purchasing.

In 1954, the report of the Randall Commission on Foreign Economic Policy stated as follows (p. 45):

> The Buy American Act and legislative provisions of other acts containing the Buy American principle should be amended to give authority to the President to exempt from the provisions of such legislation the bidders from other nations that treat our bidders on an equal basis with their own nationals. Pending such amendment, the President by Executive Order should direct procurement agencies in the public interest to consider foreign bids which satisfy all other considerations on substantially the same price basis as domestic bids.

That same year, an Executive order put part of this recommendation into effect, but not all. It established the principle that American bids to Government agencies which exceeded foreign bids by more than 6 percent were to be deemed unreasonable, and that foreign bids should be accepted in such cases. But the Executive order did not require that this policy relate only to the bidders from other nations that treat American bidders on an equal basis with their own nationals.

While U.S. Government procurement policy is not the responsibility of this committee, we believe it should be of interest to this committee when Government procurement has a significant impact on our balance of foreign trade and our balance of payments.

The dramatic increase in orders for electrical equipment placed abroad last year, especially in the light of the one-sided results of the Kennedy round with respect to the heavy electrical equipment industry, lead us to some observations concerning future trade policy.

Ambassador Roth and other important officials have said that from now on tariffs will become relatively unimportant as a deterrent to international trade. We believe this is correct, and that nontariff barriers which now and in the future obstruct the flow of trade are the most significant matters for the attention of Congress and our trade policy officials.

We believe that linear, or across-the-board reduction of tariffs or other trade barriers will not be appropriate for the future. The volume of trade in given product lines or industries should no longer be the principal criterion for swapping concessions respecting other, unrelated products. From now on, in our judgment, more specific and informed attention must be given to the economics of any industry whose trade is affected by concessions, and to the impact of such concessions on the affected industry.

The industry we are discussing is a good example. Electricity is electricity wherever it is used. There are substantial similarities in the machinery that generates it and transmits it to locations where it does its work. While there are differences in designs and efficiencies, British generators can produce electricity in the United States or in France, and American equipment could serve British or Italian needs. Technical reciprocity in electrical equipment can be universal. But the economics are far from universal unless trade barriers or lack of barriers are at least reciprocal.

Electrical generation and transmission equipment is fundamental to maintenance and improvement of living standards throughout the world. The markets for these products in the United States and other industrialized countries are of substantial magnitude. Because of the importance of this equipment, both in terms of foreign trade and human comfort and convenience, and in view of the unusual governmental character of potential foreign buyers of these products, we believe it is essential that the U.S. Government utilize every available tool to eliminate promptly those discriminatory procurement practices which close major foreign markets to our electrical equipment manufacturers. An adjustment of U.S. Government procurement policies could well be part of such an effort.

If this committee and the Congress decide to enact a renewal of the trade policies and provisions set forth in the Trade Expansion Act of

1962, we hope you will emphasize the essentiality of obtaining mutual trade benefits for the products of this industry which are sold to utilities, as well as for industrial products in general. Such a congressional mandate should apply to any future round of negotiations to reduce trade barriers, and also to any less significant negotiations prior to a new large-scale effort.

We appreciate the opportunity of presenting these views to you.

The CHAIRMAN. We thank you, Mr. Hobbs, for bringing to us your views.

Are there any questions? Mr. Curtis.

Mr. CURTIS. Mr. Chairman, I think in this paper, which I think is excellent, we have what I would say is a classic example of the dismantling of tariffs and then the emergence of the importance of these nontariff trade barriers.

It also points up this very difficult problem of state ownership and as you point out, the difficulty of American enterprise which is not state-owned in competing with it. The state-owned enterprises frequently don't even have good cost accounting so they don't even know themselves what it costs to produce a unit. You have built in therefore just by its very nature tremendous government subsidies.

I am leading up to this following question. Do you think that the countervailing duty laws that we presently have might be utilized to dig into this subsidy aspect, which I think you implied is part of the difficulty you have?

Mr. HOBBS. I think so, Mr. Curtis, although this has to be a matter of judgment because you have to fit the facts to the statute. The statute says whenever any foreign country or business organization, "shall pay or bestow directly or indirectly any bounty or grant" on the export of any article produced within the foreign country then the Secretary of the Treasury can assess countervailing duties.

Well, in the British case, for example, the principal buyer of electrical equipment in Great Britain is the entirely government-owned Central Electricity Generating Board which is like our TVA, except it is much larger and covers a much greater proportion of the United Kingdom. It covers most of it. The CEGB has written agreements with British manufacturers of electrical equipment whereby they guarantee the manufacturers a profit rate of approximately 15 percent or greater on their domestic business, and the agreements permit loading into the prices of domestic business the research and development expenses for all business, including exports, and for overseas selling expenses.

That is a subsidy. Whether you want to call it government directly or indirectly, or a bounty, it is certainly calculated to help and does help British manufacturers of electrical equipment to sell it abroad, into the United States specifically, at prices which are much lower than those at which they sell in their home country. It seems to me that this ought to be a classic case for the imposition of countervailing duties.

Another section would be, section 252 of the Trade Expansion Act of 1962. I think it clearly ought to fit this situation.

Mr. CURTIS. I agree with you and I think it is most important that we start moving in this area. There is an argument beyond the very valid argument you are making. If we want reciprocity, then if we do not apply a rigid buy-American rule they should not be applying their buy-national acts.

In fact they don't even have to do this buying by law. It is the structure that permits them in effect to buy national. That is about the only way they could do it.

Well, one other detail, because this has been a problem before this committee ever since I have been on the committee. You relate it back to 1954. At one time you were pointing out that you felt our own governmental agencies, such as TVA, were not purchasing on the basis of procuring the most efficient product and that they were only looking—if I am in error in stating this I want to be corrected—at the sale price of, say, a big generating unit and were not counting the downtime of that particular unit. One of the competitive advantages for American production of generators is that the instance of downtime is considerably less.

Is this still a factor in this area?

Mr. HOBBS. Well, Mr. Curtis, I think the TVA certainly counts all factors in the cost of operating the equipment, including the capital cost and depreciation, and the fuel cost.

Mr. CURTIS. You say they do now.

Mr. HOBBS. I think they always have.

Mr. CURTIS. The argument was that they didn't. That is why I raised it.

Mr. HOBBS. I think rather than characterize what TVA does, let me state certainly what Westinghouse Electric believes. We believe that our equipment has a better record of downtime than most of the foreign equipment. I think we can prove that by carefully kept records which have been made available to us by utilities that have both types of equipment, and that is a significant consideration in the value of the equipment that they are using.

Mr. CURTIS. You are not commenting on whether my statement was correct or not, but at least now TVA, to use an example, does consider downtime in purchasing formulas?

Mr. HOBBS. They certainly say that they do, and I have to assume that they are correct, Mr. Chairman.

Mr. CURTIS. OK. Thank you.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Hobbs, you say that none of our trading partners buy any large electrical equipment from us. You mention the instance of the United Kingdom where the Government agency more or less precludes anybody else.

What form of restriction do some of these other nations have? Is it usually decided by the government body or are there other forms of restrictions which they use in not buying from us?

Mr. HOBBS. They are very subtle. I think you have to take each country separately.

Mr. SCHNEEBELI. There isn't any general pattern?

Mr. HOBBS. In France, for example, the whole electric system is owned by the government. They simply won't buy from you, period. We send salesmen to talk to them. They say, "That is very nice but we only buy from French manufacturers."

As far as I know there is no law or specific regulation that they point to. They just say "That is the way we do business in France."

Mr. SCHNEEBELI. This seems to be the general pattern then, doesn't it?

Mr. HOBBS. It is true in Italy where the system is government-owned. In Switzerland the system is owned I believe by the cantons, which are regional governmental bodies. They would not think of buying anything except of Swiss manufacture.

The Italians occasionally have bought turbines and large equipment, but Italian purchases are good examples of what I referred to as prototype purchases. I know that at least on one occasion the Italians bought a steam turbine generator from Westinghouse and one of their manufacturing companies received from us a license to copy that machine in the future. In effect, they bought the first one of that size and efficiency but no more.

This is a general pattern. It applies to the countries of northern Europe. The Japanese systems I believe are investor-owned, but they are very responsive to tight government controls on where they buy their equipment.

Mr. SCHNEEBELI. This restriction not only applies to the United States; it applies to importing from any other nation?

Mr. HOBBS. That is right. The French won't buy a British machine, and the British will not buy a French machine.

Mr. SCHNEEBELI. So it is not applied to us particularly.

Mr. HOBBS. The only reason it particularly applies to us is while they can't sell in any other developed country markets, they can sell in our market, but we can't sell in theirs.

Mr. SCHNEEBELI. In that connection my next question is have you gone the route of the antidumping provisions in trying to protect yourselves against this?

Mr. HOBBS. We are now intensively making studies to see if we can present an antidumping action. The trouble is that none of the purchasing data in the foreign countries is published. It is all done by private negotiations. The bids are not opened publicly, and you practically have to get a detective to find out the prices at which they sell this equipment in their own countries.

We are accumulating some of that information. We have had people over there for the past year or so trying to do just what you are saying. We think we have evidence of dumping at least from one of the countries, but this will present us a problem because our industry in the last couple of years has been at the peak of a buying cycle.

Our plants are well loaded so we may have difficulty this year, last year, maybe next year, in establishing that we were injured by this dumping. It will depend on the legal standard of what constitutes injury in our case.

Mr. SCHNEEBELI. I notice that Farranti in England has been getting a lot of our business. Is the United Kingdom responsible for most of the purchases of that company in 1967?

Mr. HOBBS. I won't say most of them. They were responsible for a large share of these purchases.

Mr. SCHNEEBELI. What percentage of our market in 1967 was foreign purchases?

Mr. HOBBS. It varies by type of equipment. We are only talking here specifically about three basic types—large turbine generators, large power transformers, and the large power circuit breakers. American manufacturers lost approximately—this is on the basis of orders placed in 1967 by U.S. utilities, both investor-owned and Government-owned—16 to 17 percent of the turbine generator business to foreign suppliers last year.

The power transformer orders placed abroad were a smaller percentage, 7 percent perhaps, and the power circuit breakers maybe 5 percent.

You see, this is not published information as yet and these articles require long leadtime so that some of them are shipped in different years than when the orders are placed.

Mr. SCHNEEBELI. So it would show up more the next couple of years.

Mr. HOBBS. In later years, when the import shipments are received in this country.

Mr. SCHNEEBELI. And you imply that the buy American provisions are very ineffectual?

Mr. HOBBS. They have been almost totally ineffectual, and, remember, they apply only to Government agencies.

Mr. SCHNEEBELI. Yes, I realize that, but even so TVA is buying lots of large generating equipment.

Mr. HOBBS. The foreign prices on power transformers during some of the past 7 or 8 years have averaged as much as 40 percent below the level in the exporting countries, so a 6 percent differential applied here, plus import duty, has not been enough to stop them.

Mr. SCHNEEBELI. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Betts.

Mr. BETTS. Mr. Hobbs, on page 3 you mention this request that your company made that there be no reduction in tariffs unless the nontariff barriers on the part of other countries were also reduced and apparently you didn't win on that score and in the Kennedy round the tariffs on these particular products were reduced 50 percent.

Do you know whether or not these nontariff barriers that you asked to be removed are in the agreement to be removed if we removed the American selling price?

Mr. HOBBS. No, they are not part of that arrangement, Mr. Betts.

Mr. BETTS. So if we remove the American selling price these barriers will still exist?

Mr. HOBBS. That would have no bearing on this problem. As a matter of fact, we are dealing principally with Government procurement here, at least procurement by publicly owned bodies, and under the GATT I believe Government procurement is not part of the negotiating procedure.

Nonetheless, is is trade, but, in any case, the answer to your question is "No," nothing that is pending before Congress in the present legislation would specifically affect these nontariff barriers.

Mr. BETTS. I just wanted to make sure whether there was anything in the offing that could help remove these barriers if we did something here, but apparently there is not. Is that correct?

Mr. HOBBS. There is nothing in the bill before you now that would specifically affect them.

Mr. BETTS. Now, then, also from your statement on page 3 at the bottom of the page, I would assume that you feel that the 50-percent reduction in tariffs is causing most of your trouble here. Is that correct?

Mr. HOBBS. These imports were coming in before the 50 percent went into effect, but this is a matter of opinion.

Really we have no direct evidence, but many of the orders which were placed last year will not be delivered until 2 or 3 years from now when at least several of the five stages of reduction will have come into effect.

I don't think those reductions alone are of sufficient magnitude to make a major difference, but it all adds up to a difference in the cost of entry in bringing these items into this country.

Mr. BETTS. Thank you.

The CHAIRMAN. Mr. Collier.

Mr. COLLIER. The previous witness suggested that it would be preferable to prevail upon our foreign trade partners to remove their nontariff barriers rather than for us to impose reciprocal policies of this nature in our trade relations.

Now you said to us, Mr. Hobbs, in answer to a question that there is nothing in this legislation that would deal directly with the removal of these nontariff barriers.

Mr. HOBBS. Nothing specific, Mr. Collier.

Mr. COLLIER. Well, I would simply submit that there is, and I might say, being realistic, that we are not going to impose nontariff barriers similar to those that have been imposed by foreign countries, would it not make good sense then to adopt a flexible quota ceiling type of proposal that would at least give us a wedge from which we could negotiate a removal of nontariff barriers?

Otherwise we have no wedge with which to deal with nontariff barriers and certainly the quota provisions in the bill which I introduced would place us in a far more favorable position to put pressure, if you please, upon our foreign trade partners to remove nontariff barriers.

Mr. HOBBS. I am speaking for a group which has not endorsed a quota principle, Mr. Collier, but we as a group have recommended to the Treasury Department and to an interagency group that the U.S. Government at least put itself in the best possible negotiating position in trying to remove these barriers.

We think in our particular case that at least we could say "We are going to review U.S. Government purchasing policy and we would like to talk to you about yours."

Now, at what stage we ought to impose restrictions against purchasing foreign equipment, I don't think we are quite ready to say. But we would certainly like to see the U.S. Government take a firm stand in insisting that foreigners either open up their markets to this equipment or that possibly in the future the U.S. Government agencies are going to stop buying foreign equipment.

But this industry has not yet, and I don't think they will advocate the quota route unless conditions change a great deal for us.

Mr. COLLIER. I am not suggesting, Mr. Hobbs, that they do and I am not suggesting that this is in and of itself a solution to the problem of nontariff barriers. But I think we all recognize that in order to negotiate and if it is our intent to eliminate some of these practices we have to have a wedge ourselves in order to provide the pressure necessary to remove these nontariff barriers, and it just seems to me that one of the things we can do is to establish a flexible quota ceiling if for no other reason than to, for instance, during this interim period have some lever in our negotiations.

That is all I have, Mr. Chairman.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Mr. Hobbs, I was wondering if you could inform the committee what percentage of increase in exports for heavy electrical equipment took place between the years of 1961 and 1967?

In other words, how do the figures on exports compare for the year 1967 with the year of 1961? Has it increased, or decreased, or what?

Mr. HOBBS. On imports into the United States?

Mr. BURKE. No, exports.

Mr. HOBBS. Exports from the United States?

Mr. BURKE. From the United States.

Mr. HOBBS. They have gone up slightly, Mr. Burke. We do not have the precise figures. We can supply those for the record if that would be helpful.

Mr. BURKE. What I am trying to find out is if your figures on exports compare favorably to the figures on imports coming in?

Mr. HOBBS. The figures on exports of this particular type of equipments have over the years, including the years up through last year, exceeded the import figures, I believe, but the exports are at least 70 percent financed by U.S. dollar assistance, either AID funds, or Export-Import Bank loans.

In other words, the exports are related to dollar financing and are predominantly to the underdeveloped areas. Without U.S. Government dollar assistance in making those exports they would be cut by at least 75 percent, in my judgment. We are complaining principally about the countries that have the money to buy but won't buy from us.

Mr. BURKE. In other words, the developed countries that manufacture their own heavy equipment are not buying from us.

Mr. HOBBS. They are not. They refuse to buy from us; that is correct.

Mr. BURKE. Thank you.

The CHAIRMAN. Mr. Curtis.

Mr. CURTIS. Mr. Chairman, this discussion is moving into a very important area. It is true in the Kennedy round that practically nothing was done about these nontariff barriers and the "buy National" provisions of all the countries.

In my judgment this is certainly an area in which there needs to be some work done. I would like for the record to point out article III, section 8(a) of GATT:

> The provisions of this article—

This provides for, in effect, fair trade—

> shall not apply to laws, regulations, or requirements governing the procurement by governmental agencies of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

In other words, all of our Buy American Acts, as well as buy British, and buy French, and so forth, are exempted from the GATT provisions. There are two ways we could go.

One, we could just put up more of these nontariff trade barriers ourselves and, indeed, this is what is going on. Our States now are engaged in putting into effect Buy American Acts.

Whether it is constitutional or not is another question, but that is an internal matter. Or we could go the way that I think you are recommending of knocking down other countries' barriers, and I certainly am in accord.

We can try to persuade these foreign countries to cut back on their barriers. We have plenty of buy American provisions ourselves. I pointed out one when the textile people were here the other day. We put in the defense appropriation bill a few years ago at their request that our military can only buy American textiles. That is a complete buy American.

I would observe, and I hope our committee staff will study this and possibly witnesses will bring us material in this area, that the Buy American Acts of this variety nowhere compare to the buy French, buy British restrictions, and so forth, imposed by our trading partners. So again, to add to Mr. Byrnes' observation, let's not get our own sins out here in the open without at the same time pointing up that in context of what other nations do in this area, our barriers aren't as excessive as theirs.

And then this added factor that I pointed out. In nations that are more socialistic, more and more industry is owned by the government, and Buy National Acts are much more effective because there are more governmental agencies involved.

I just wanted to put that in the record.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Has your industry ever considered going the route of the OEP? Would you qualify as a strategic industry under the Office of Emergency Planning?

Mr. HOBBS. We submitted a petition under section 8 of the Trade Agreements Act, I believe it was the act of 1958 which had the provision in it that you are referring to, Mr. Schneebeli, and were turned down.

Mr. SCHNEEBELI. For what reason?

Mr. HOBBS. Well, our basis was that the electrical equipment, the large steam turbine generators, and large power transformers, the key elements in the generation and transmission systems, were essential to national security, that the difficulty of repairs to foreign equipment if they were sabotaged or broke down in effect, was such that only American equipment should be bought for the key elements of the U.S. system, and this was rejected.

Mr. SCHNEEBELI. You didn't qualify.

Mr. HOBBS. Our petition was turned down. They said they would continue to look at it. This was about 1959 or 1960 as I recall.

Mr. SCHNEEBELI. Thank you.

The CHAIRMAN. Again we thank you, Mr. Hobbs, for bringing to the committee your views.

Mr. HOBBS. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Stewart. Mr. Stewart, again we ask you to identify yourself for the record and those at the table with you.

STATEMENT OF EUGENE L. STEWART, COUNSEL, PARTS AND DISTRIBUTOR PRODUCTS DIVISIONS, ELECTRONIC INDUSTRIES ASSOCIATION, AND AMERICAN LOUDSPEAKER MANUFACTURERS ASSOCIATION; ACCOMPANIED BY W. L. LARSON, VICE CHAIRMAN, PARTS DIVISION; R. W. WOODBURY, VICE CHAIRMAN, DISTRIBUTOR PRODUCTS DIVISION; TYLER NOURSE, STAFF VICE PRESIDENT, PARTS AND DISTRIBUTOR PRODUCTS DIVISIONS; AND HERBERT ROWE, MEMBER, WORLD TRADE COMMITTEE, PARTS DIVISION, AND VICE PRESIDENT, AMERICAN LOUDSPEAKER MANUFACTURERS ASSOCIATION

Mr. STEWART. Mr. Chairman, I am Eugene L. Stewart. I appear here as special counsel for the Parts Division of the Electronic Industries Association, the Distributor Products Division of that association, and the American Loudspeaker Manufacturers Association.

With me at the table are Mr. Herbert Rowe, president of the Muter Co., who is a member, who is vice president of the American Loudspeaker Manufacturers Association; Mr. W. L. Larson, president of Switchcraft, who is vice chairman of the EIA Parts Division; Mr. R. W. Woodbury, who is vice chairman of the EIA Distributor Products Division; and Mr. Tyler Nourse, who is the staff vice president of the Parts and Distributor Products Divisions.

There is listed on the cover of my testimony the names of other industry representatives who are here. Each of them represents an important segment of the components industry, and they will assist if needed in answering questions.

The CHAIRMAN. Mr. Stewart, you will want your entire statement made a part of the record. Without objection, it will be made a part of the record and you are recognized, sir.

Mr. STEWART. Thank you, Mr. Chairman. In the interest of time I shall summarize our testimony; I hope concisely.

The CHAIRMAN. You may be seated if you desire or stand, either way.

Mr. STEWART. Thank you, Mr. Chairman. Let me say at the outset that there is no single industry known as the electronics industry. There are 25 industries in the standard industrial classification at the four-digit level which manufacture articles which have an electronic circuit.

It is impossible, due to the great range of these products to classify them from a marketing or production point of view into a single industry.

Electronic products cover an enormously wide spectrum of hardware in consumer, and industrial, defense and space areas, from transistor radios to airborne computers, from electronic organs to measuring instruments for assembly lines.

Let us make one thing clear on this record. The position that we support is opposed by the Consumer Products Division of the Electronic Industries Association. But let us understand their position.

That position is based upon the vote of companies which account for less than a majority of the U.S. production of such products and that vote was heavily weighted by companies that are primarily importers of either consumer electronic products or electronic components.

There is nothing wrong with this, but so that the positions may be clear they are the importers. We are the domestic industry, the domestic producers. They want to be unrestricted in the importation of their products. We want to see some part of the American market enjoyed by American producers with American workingmen.

Our economic interests are opposed, ours and theirs. They want to protect their investment in foreign plants. We want to protect our investment in American plants. They are protectionists just as we, but they wrap their protectionism in the semantics of free trade.

To show the relative stake of each of these two industries, consumer products and components, in employment in the United States, please look at the following table:

TABLE 1.—*Employment in selected electronic industries, April 1968*

[In thousands]

Consumer electronic products (Standard Industrial Classification 365)	133.8
Electronic components and accessories (Standard Industrial Classification 367)	350.4

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings,* May 1968.

Here we find for the month of April 1968 the employment in each industry. You will note that we have nearly three times the number of employees as the consumer electronic products division.

Further, take note of this fact. Since November of 1966 the consumer electronic products industry suffered an absolute loss of 45,000 jobs and since October of 1966 our industry, the electronic components industry, suffered an absolute loss of 46,000 jobs. Together we lost 91,000 jobs for our American workingmen in the last 18 months.

Now, imports are not the sole cause of this but they are one of the contributing causes. Let us look first at consumer electronic products, and by this term I mean, and if you will look at the following table concerning television sets, radios, phonographs, and tape recorders.

TABLE 2.—U.S. IMPORTS OF CONSUMER ELECTRONIC PRODUCTS

[In thousands of units]

	1964	1966	1967	Percent of change 1964–67	1st quarter, 1967	1st quarter, 1968	Percent of change
TV	715	1,524	1,614	+125.7	369	308	−16.5
Radios	13,739	24,950	24,201	+76.1	4,865	5,454	+12.1
Phonographs	2,363	4,223	4,134	+74.9	503	407	−19.1
Tape recorders	3,075	2,807	3,780	+22.9	[1] 1,043	1,282	+22.9
Value of above (dollars in millions)	$212.6	$390.2	$458.8	+115.8	$92.3	$104.6	+13.3

[1] Estimated at the ratio of change in value, based on units published for 1st quarter, 1968 (not available in 1967).

Source: Marketing Services Department, Electronic Industries Association; U.S. Department of Commerce, Bureau of the Census.

You will note from this table that from 1964 to 1967 there was a very large increase in imports in units in each one of these product areas. Later I shall show you the balance of trade in dollars on these and the other products I talk about.

Look at table 3, and note the share of the domestic market accounted for by imports. In TV sets it doubled from 7 percent to 14 percent in 1967, is a little bit off in the first quarter of this year.

TABLE 3.—IMPORTS OF CONSUMER ELECTRONIC PRODUCTS AS SHARE OF U.S. MARKET

[In percent]

	1964	1966	1967	1st quarter, 1968
TV	7.3	12.0	14.0	11.0
Radios (home)	58.3	71.7	74.4	77.8
Phonographs	31.4	40.1	43.3	30.0
Tape recorders	86.4	76.4	82.5	85.3

Source: Derived from import and market data compiled by marketing services department, Electronic Industries Association.

Radios, 74 percent of the market was supplied by foreign produced radios in 1967 and you see the ratio for the other products. Why are we interested in the imports of consumer electronic products since we do not manufacture them?

Because they consist merely of an assembly of components, of tubes and transistors, and resistors and capacitors and inductors, and loudspeakers.

The importation of sets is a very major part of the importation of the components. One of the gentlemen asked the first witness today what has happened to the production of radios in the last 20 years?

Gentlemen, in 1947 the American market consisted of 20 million sets, all of which were made in America; in 1967, 20 years later, 40 million sets, only 8 million of which were made in America. The components industry 20 years ago supplied all of the components for 20 million sets. Twenty years later we supplied part of the components for 8 million sets.

All of the growth in the radio market has gone to imports and most of the market that was held in 1947 has gone to imports.

Look please if you would at table 4. In textiles you are familiar with the fact that the ratio of imports to domestic consumption is calculated by determining the square yard equivalent of fabric that comes in in the form of shirts and garments as well as the fabric imported as fabric.

TABLE 4.—TOTAL U.S. IMPORTS (DIRECT AND INDIRECT) OF ELECTRONIC COMPONENTS, 1964–67

[in millions of units]

Class of component	1964	1966	1967	Percent of change 1964–67
Active components:				
Receiving tubes	67.7	111.8	85.0	+25.5
TV picture tubes	0.8	1.6	2.0	+147.2
Transistors	149.9	681.6	532.8	+255.4
Rectifiers and diodes	105.6	383.8	484.6	+358.8
Passive components:				
Capacitors, electrolytic	199.8	617.3	473.8	+137.1
Capacitors, fixed	785.6	1,616.1	1,692.6	+115.4
Resistors, fixed	1,019.3	2,377.6	2,238.8	+119.6
Inductors and transformers	259.7	551.7	506.1	+94.9
Other components:				
Controls	55.6	169.9	90.3	+62.5
Loudspeakers	25.3	55.5	48.0	+89.5
Record changers	2.3	4.6	4.1	+79.3

Source: Appendix table 1.

In similar fashion the marketing services department of EIA, which is a division that serves all the other divisions statistically, has calculated the quantity of components imported as part of sets and from the Commerce Department the quantity imported as components.

The total U.S. imports of components, direct and indirect, is shown in table 4. Note, and this is in millions of units, the astounding rate of increase since 1964.

Now, let your glance fall on table 5, where we show what the ratio of these imports to U.S. commercial sales of components in units is for the same years. Notice the very astounding import penetration ratio. In some cases imports account for twice or greater the volume of commercial sales of domestically produced components.

TABLE 5.—RATIO OF IMPORTS TO U.S. COMMERCIAL SALES OF SELECTED ELECTRONIC COMPONENTS, 1964-67

Class of component	Percent		
	1964	1966	1967
Active components:			
Receiving tubes	20.1	27.6	29.2
TV picture tubes	8.5	12.1	18.7
Transistors	102.7	227.3	242.3
Rectifiers and diodes	17.6	31.9	43.0
Passive components:			
Capacitors, electrolytic	92.6	171.4	169.9
Capacitors, fixed	45.6	62.5	92.7
Resistors, fixed	35.2	52.2	112.7
Inductors and transformers	479.6	581.0	532.6
Other components:			
Controls	(1)	66.4	(1)
Loudspeakers	50.0	82.4	109.1
Record changers	(1)	51.7	(1)

1 Not available.

Source: Appendix table II.

This rate of import penetration vastly exceeds that which exists in textiles, petroleum, meat products, any other industry that has been before you with a serious import problem.

Now let us look at table 6. Here we are setting forth the balance of trade in both consumer electronic products and components. A more specific breakout of each of the products is shown in an appendix table where the detailed statistics are offered.

TABLE 6.—U.S. BALANCE OF TRADE IN CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS, 1964-67
[In millions of dollars]

	1964	1966	1967
Exports:			
Consumer electronic products	64.2	76.8	76.6
Active components	72.2	87.0	79.1
Passive and other components	1 39.2	1 131.3	1 145.0
Total	1 175.6	1 295.1	1 300.7
Imports:			
Consumer electronic products	212.6	404.3	469.8
Active components	21.5	68.9	64.4
Passive and other components	58.4	181.0	159.0
Total	292.5	654.2	693.2
Balance of trade:			
Consumer electronic products	−148.4	−327.5	−393.2
Active components	+50.7	+18.1	+14.7
Passive and other components	1 −37.8	1 −63.1	1 −19.9
Total	1 −116.9	1 −359.1	1 −392.5

1 Export data for earphones and headsets not available, 1964-67; 1964 export data not available for microphones and, for parts for radio and TV apparatus, phonographs, active and passive components, and other components.

Source: Appendix table III.

It is sufficient to notice here that we do export these products, and the exports increased from $175 million in 1964 to $300 million in 1967, a decent performance, but note that imports increased from $292 million in 1964 to nearly $700 million in 1967.

Our balance-of-trade deficit went from a little over $100 million to nearly $400 million in the space of these 3 years.

In the long-term cotton textile arrangement the GATT countries by agreement without retaliation adopted the principle that because textiles are highly labor-intensive products that were being manufactured predominantly in low-wage countries for export to the developed countries, a system of negotiated import rates for the developed countries was necessary to avoid market disruption and to contribute to the economic betterment of both the exporters and importers.

Please look at table 7 where I show you the labor-intensive ratio of electronic components manufacture compared with cotton broadwoven fabrics, and the average of all manufacturing and apparel.

TABLE 7.—COMPARATIVE LABOR INTENSIVENESS OF ELECTRONIC COMPONENTS MANUFACTURE IN THE UNITED STATES

	Payroll as a percent of—	
	Value of shipments	Value added by manufacture
All manufacturing establishments	22.2	48.7
Cotton broadwoven fabrics, SIC 2211	24.8	61.4
Apparel and related products, SIC 23	25.9	56.3
Electronic components, SIC 367	39.6	62.0
Receiving tubes, SIC 3671	42.6	54.6
Semiconductors,[1] SIC 3674	46.7	66.0
Capacitors,[1] SIC 36792	38.5	56.5
Resistors,[1] SIC 36793	40.5	54.4
Coils, transformers, reactors, and chokes, SIC 36794	39.0	70.1

[1] Establishments with 90 percent or more specialization.

Source: U.S. Department of Commerce, "1963 Census of Manufactures."

You will notice that whereas cotton textiles have a ratio of total payroll cost to value of shipments of 24.8 percent and apparel 25.9 percent, all components on the average had a ratio of labor intensiveness of nearly 40 percent and some of the individual components exceed 40 percent.

We are nearly twice as labor intensive as the average of all manufacturing and vastly more labor intensive than textiles, but notice the difference in the policy of our Government in regard to our industry, which I should remind you does employ nearly 400,000 workers.

For textiles there is a long-term arrangement that provides a system of quotas, and very properly there is widespread interest in the Congress in extending those to other textile articles. The textile mill products and apparel industries were spared deep cuts in the Kennedy round.

Now, gentlemen, every one of our products in the consumer electronic product line and the component line but two were reduced by 50 percent in the Kennedy round, and we are in a situation where the level of our duties is lower for most products than every other nation, including Japan.

First, to show you that this is primarily an Asian problem turn to table 8. Here I have shown the origin of U.S. imports of these consumer electronic products and components by country and area of origin, showing what the situation is in dollars for each product. If you look at the column on the far right, the percent which each area is of the total, you will notice that Japan supplied 66 percent of the imports in 1966 of these products and "other Asia," which is primarily Hong Kong, 9.3 percent.

TABLE 8.—ORIGIN OF U.S. IMPORTS OF CONSUMER ELECTRONIC PRODUCTS AND SELECTED COMPONENTS, 1966

[In thousands of dollars]

Country of origin	Television receiving sets	Radio receiving sets	Phonographs, sound recorders, and parts	Active components	Passive components	Total	Percent which each area is of total
Canada	$9,543	$11,111	$371	$5,077	$1,990	$28,092	4.8
Latin America		210		345	127	682	.1
Total, Western Europe	160	11,390	51,790	41,696	10,055	115,091	19.9
EEC	135	8,451	17,128	24,651	6,967	57,332	9.9
EFTA		898	33,807	8,860	2,444	46,009	7.9
Other Western Europe		2,042	855	8,186	644	11,727	2.0
Japan	106,754	135,239	78,947	35,712	24,503	380,615	65.7
Other Asia		32,779		19,474	1,499	53,752	9.3
Other Countries, NES		374	322	229	425	1,340	0.2
Total of above	116,457	191,103	131,430	101,983	38,599	579,572	100.0

Source: United Nations, "Commodity Trade Statistic," Statistical papers series D, vols. XII, XIV, and XVI; U.S. Department of Commerce, Bureau of the Census, FT 246.

Together these two Asian countries account for 75 percent of the imports of these products.

Thus, it is labor intensive. It is low wage Asian in its nature.

Now, let us turn to what transpired in the Kennedy round. Members of this committee have asked other witnesses what kind of a job was done in regard to your industry in the Kennedy round.

In my prepared statement I have set forth three paragraphs from a statement submitted by the president of the entire Electronic Industries Association, not just a spokesman for one division, the spokesman for the entire organization, to the Trade Information Committee.

The full text of that statement is attached as exhibit 1 to my statement. Let me just read the last paragraph.

> In the Kennedy Round the U.S. electronics industry entered the negotiations with generally the lowest tariffs, and after, in most instances a 50 percent cut of U.S. tariffs we made the greatest concessions and emerged with an even more unbalanced tariff rate structure than we had before.

If the electronic industries were viewed by the Government as an industry with export potential why didn't they secure reciprocal concessions from other countries to help our exports?

Now, I have submitted as an exhibit the full text, exhibit 2, of an extremely important analysis by the Marketing Services Division of Electronic Industries Association in detail of the tariff concessions granted on electronic products by every major country in the Kennedy round, followed by a very precise analysis of the impact of the border tax on electronic exports going into these countries.

You gentlemen want chapter and verse. Here it is in electronic products.

In my prepared testimony I summarize from that rather massive study these important points: The first point set out is that the Common Market granted no tariff reductions in five product categories—computers, semiconductors, TV picture tubes, electronic test and measuring instruments and parts. These are areas where we had export potential and we got no reductions. Second, starting at lower base rates than the common external tariff of the Common Market, the United States reduced duties up to 50 percent on products that accounted for 95.7 percent of imports from the Common Market. Virtually everything they ship here they got a concession on.

Point 3, the product categories in which the Common Market granted less than 50 percent reductions equaled 34 percent of our exports; and point 4, the Common Market made 50 percent reductions on categories accounting for only 17 percent.

Look at table 9. Here is the discouraging record laid out for you to see. This table takes each of the products we are talking about, shows you what the tariff rate is for the United States after the Kennedy round, what it is for Japan, what it is for the Common Market and United Kingdom.

TABLE 9.—IMPORT DUTY RATES OF THE UNITED STATES, JAPAN, AND EUROPEAN PRODUCERS OF CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS (POST-KENNEDY ROUND) (PERCENT)

	United States	Japan	EEC	United Kingdom
Television receiving sets	5.0	10 [2] 15	14.0	15.0
Radio receiving sets	6.0 [1] 10.4	9.0 [1] 17.5	14.0	15.0
Radio-phonographs	6.5	17.5	14.0	15.0
Phonographs, sound recorders, and parts	5.5	15.0	9.5	10.0
Receiving tubes	6.0	10.0	8.0	20.0
Transistors	6.0	15.0 [3] 7.5	17.0	20.0
Capacitors	10.0	7.5	7.0	12.5
Resistors	6.0	7.5	8.0	17.0
Inductors	7.5	7.5	5.5, 7.0	10.0
Other radio parts	6.0	10.0	9, 13, 17.0	15.0
Other TV parts	5.0	10.0	9, 13, 17.0	15.0

[1] Transistor.
[2] Not over 10 in. screen.
[3] Germanium.

Source: Office of the special representative for trade negotiations, "Report on U.S. Negotiations, General Agreement on Tariffs and Trade, 1964–67 trade conference," Geneva, Switzerland; GATT, "Legal Instruments Embodying the Results of he 1964–67 Trade Conference."

You will notice in virtually every instance we are lower than all of the rest, and notice that most of our duties are now at the level of 5 or 6 percent, and none of them exceeds 10 percent.

One final thing. The AFL–CIO in testimony here endorsed negotiation of import restrictions similar to the long-term cotton textile arrangement, and I am quoting from its testimony: "Affecting trade in industries that are sensitive to disruption by rapidly rising imports and unfair competition."

In my prepared statement I have also set out two excerpts from the testimony of the president of the International Union of Electrical Workers submitted to the Trade Information Committee.

I will not read it, but the first quoted paragraph describes the import problem in a manner entirely consistent with the way we have identified it.

The second quoted paragraph says that this problem has been aggravated by American companies that have transferred their plants abroad, closed out their jobs in the United States, and created jobs in low-wage nations.

Gentlemen, it is such companies who are represented by the Consumer Products Division in their testimony here today. They have caused and contributed to this import problem and they are here now defending that position by resisting import quotas.

Now, I say finally that the Collier bill which we advocate is designed to do exactly what the president of the International Union of Electrical Workers wants to have done to create a negotiating climate so that a harmonious solution can be achieved by the President through negotiations.

Finally, I will merely refer to my final exhibit, exhibit 3, which is a very extensive treatment of the ills of our Antidumping Act and its administration. This industry has filed antidumping complaints on virtually every electronic product that we are talking about, and they have been filed over a period extending from July of 1967 to March of 1968.

Investigations have been started on a few of these products. We already know enough from working with the Treasury Department on these products that the result seems to us to be foreordained. The problems inherent in the way the Antidumping Act is administered are set out in detail in exhibit 3, but I can summarize it, I think, in two sentences.

The amendments that were made in the Antidumping Act in 1958 and in the antidumping regulations together accomplished this improper result. They allowed other countries to export to the United States on the basis of incremental pricing, prices that recover only their direct costs, and do not recover overhead and profit, and allow the foreigners to explain away the difference between those prices and their home market prices on the basis of uncorroborated, unsworn testimony by saying that "The conditions of sale in our home country are different from those in the export trade, and we assign a certain monetary value to those differences," and this explains away the dumping.

Under the present Antidumping Act and regulations it will never be possible for any American industry victimized by incremental price dumping to secure anything significant, really, by way of relief. So we are an industry which, if we are to survive, must have some method of import regulation apart from the duties, because now our duties have been destroyed.

We want the solution to our import problem to be negotiated, a harmonious solution, and we say that you must create a negotiating situation by legislation that confronts the foreign producers and their governments with the situation that "either you take the statutory quotas or benchmarks, or you negotiate a more favorable but still reasonable position."

As to the administration's trade bill, this group recommends that the reform that would be carried out by amendment of the adjustment assistance provisions by supplying a more liberal test, an easier test to meet, also be carried out in regard to escape clause applications by domestic industries seeking tariff relief.

There is absolutely no justification for a double standard of economic morality in the relief provisions of the Trade Expansion Act.

Gentleman, thank you and Mr. Chairman, thank you for your sufferance in allowing me to go overtime.

(Mr. Stewart's prepared statement and exhibits follow:)

STATEMENT OF EUGENE L. STEWART, COUNSEL, PARTS DIVISION, AND DISTRIBUTOR PRODUCTS DIVISION, ELECTRONIC INDUSTRIES ASSOCIATION; AND AMERICAN LOUDSPEAKER MANUFACTURERS ASSOCIATION

Mr. Chairman and Members of the Committee, I am Eugene L. Stewart, Special Counsel for the Parts Division, Electronic Industries Association. I have with me today:

W. L. Larson, President, Switchcraft, Inc., and Vice Chairman, EIA Parts Division;

R. W. Woodbury, President, Sprague Products Company, and Vice Chairman, EIA Distributor Products Division;

Herbert Rowe, President, The Muter Company; Vice President, American, Loudspeaker Manufacturers Association; and Member, World Trade Committee, EIA Parts Division;

Tyler Nourse, Staff Vice President, EIA Parts Division and Distributor Products Division;

Noel Baird, Executive Vice President, Heppner Manufacturing Company;

Barry Brennan, President, Fiber Form Corporation;

C. G. Killen, Vice President, Marketing and Sales, Sprague Electric Company;

Walter Peek, Vice President, Customer Relations, Centralab, Electronics Division of Globe-Union, Inc.;

W. L. Rollins, President, Oaktron Industries, Inc.; and

H. A. Williams, Vice President and General Manager, Electronic Components Division, Stackpole Carbon Company, and Member, World Trade Committee, EIA Parts Division.

INTRODUCTION

This testimony is on behalf of U. S. manufacturers of electronic parts and components, which are members of the Parts Division, and on behalf of the members of the Distributor Products Division of the Electronic Industries Association, and the American Loudspeaker Manufacturers Association.

Electronic parts and components are the building blocks from which finished electronic products, such as radios and televisions, are assembled.

There is no single "industry" known as the electronics industry. Instead, a group of distinct industries is referred to as the "electronic industries" because the articles they manufacture have one thing in common - the utilization of an electronic circuit.

Thus electronic products are scattered among an enormous spectrum of consumer, industrial, defense, and space hardware: from transistor radios to airborne computers; from electronic organs to measuring instruments on an assembly line. Neither the production nor the marketing of these widely differing products lends itself to the grouping of establishments which use electronic circuits in the products they make into a homogeneous industry. There are more than 25 classifications of the Standard Industrial Classification at the 4-digit level which embrace electronic products within their product definition.

You need to know this in order to evaluate some of the statistics which our opponents like to use in their efforts to defeat the imposition of any regulation on imports of electronic articles.

II. THE IMPACT OF ADVERSE FOREIGN TRADE BALANCES AND TRENDS ON THE IMPORT-SENSITIVE MANUFACTURE OF CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS SHOULD BE CONSIDERED ON ITS MERITS WITHOUT BEING CONFUSED WITH THE MORE FAVORABLE FOREIGN TRADE POSITION OF LESS IMPORT-SENSITIVE SECTORS OF THE "ELECTRONIC" INDUSTRIES.

The group I represent is concerned solely with the damaging imports of consumer electronic products and the classes of electronic components used in the manufacture of such products. In other words, we are centering our attention solely on radios, televisions, phonographs, and tape recorders, and components such as capacitors, resistors, inductors, loudspeakers, record changers, fractional horsepower motors, and other parts used in the assembly of such consumer products.

We definitely are not now seeking your attention to the regulation of imports of nonconsumer electronic products such as computers; instruments; or commercial, industrial, or governmental communications systems.

Perhaps an analogy to other industries would help you understand this point. The steel industry is commonly understood to consist of those establishments engaged in making basic steel mill products. No one suggests that it can be studied only by sweeping into the data every type of article made in this country which contains steel. Automobiles, for example, are not included in the statistics of the steel industry. Nor should computers or missile guidance systems be included in the data of the electronic industries whose problems we are asking you to consider in these hearings.

So much for terminology. Before summarizing the pertinent facts concerning the import problem in consumer electronic products and the types of electronic components used in such products, I wish to clear up another possible matter of confusion. I speak only for the Parts Division of the Electronic Industries Association, which represents components manufacturers, the Distributor Products Division of EIA which represents American manufacturers of components and equipment sold through electronic parts distributors, and the American Loudspeaker Manufacturers Association which represents domestic manufacturers of loudspeakers and their suppliers.

The position we advocate is opposed by the Consumer Products Division of the Electronic Industries Association, which represents importers and some manufacturers of products such as radios, televisions, tape recorders, and phonographs. That Division's position is based on the vote of companies which account for less than a majority of the U. S. production of such products, and is heavily weighted by companies which are primarily importers of either consumer electronic products or the electronic components used in their assembly.

They are the importers; we are the domestic producers. They want to be unrestricted in the importation of components - and of the finished radio and television sets. We want to see some participation of domestic manufacturers in supplying the U. S. market. Our economic interests appear to be opposed. They want to protect their investment in foreign plants; we want to protect our investment in American plants, and in the employment which our U. S. investment has created. We are both "protectionists" in this sense; but they wrap their protectionism in the appealing semantics of free trade.

If opposition meant that you should not consider the merits of the problem, we are finished before we start. We doubt that this great Committee will refuse to consider our problem merely because spokesmen for consumer products manufacturers, importers, and distributors are opposed to our position.

III. DUE IN PART TO RISING IMPORTS, THE CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS INDUSTRIES HAVE SUFFERED A 16% LOSS OF EMPLOYMENT SINCE THE FALL OF 1966; THE STAKE OF THE COMPONENTS INDUSTRY IN EMPLOYMENT AND THE THREAT OF JOB LOSS FROM IMPORTS ARE 2½ TIMES THAT OF THE CONSUMER PRODUCTS INDUSTRY.

It is essential that you understand that the interest of our country in investment in plants in the United States, and in the jobs such plants generate, lies in a fair consideration of the problem of the components manufacturers. Let me illustrate this by citing the relative employment figures for consumer electronic product manufacture versus electronic component manufacture in the United States.

TABLE 1

EMPLOYMENT IN SELECTED ELECTRONIC INDUSTRIES, APRIL 1968
(in thousands)

Consumer electronic products..................... (Standard Industrial Classification 365)	133.8
Electronic components and accessories............ (Standard Industrial Classification 367)	350.4

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, May 1968.

Obviously, the United States has nearly three times the stake in jobs in the electronic components industry as it does in consumer electronic products.

Both groups have reason to be concerned with the sharp loss of jobs in U. S. plants. From its peak employment in November 1966 of 178.8 thousand workers, the consumer electronic products industry lost 45 thousand jobs by April 1968. From its peak in October 1966 of 396.3 thousand employees, the electronic components industry lost 45.9 thousand jobs by April 1968. Together these two interdependent industries lost 91 thousand jobs in the space of 18 months - and the loss shows every indication of continuing.

One of the reasons for this loss, though not the sole reason, is the swift rise in imports of both consumer electronic products and of electronic components.

IV. RISING IMPORTS OF CONSUMER ELECTRONIC PRODUCTS AND OF COMPONENTS USED IN THE MANUFACTURE OF SUCH PRODUCTS HAVE CAPTURED A MAJOR AND STILL-RISING SHARE OF THE DOMESTIC MARKET, FAR BEYOND THE MARKET-DISRUPTIVE LEVELS AT WHICH POSITIVE IMPORT-REGULATING MEASURES HAVE BEEN RECOGNIZED AS A NECESSITY IN SUCH FIELDS AS TEXTILES, PETROLEUM PRODUCTS, MEAT PRODUCTS, AND DAIRY PRODUCTS.

Imports of consumer products have a double effect: they displace radios, televisions, and phonographs produced here at home; they also cut down the U. S. market for components by the amount of set manufacture which they displace.

Let's look at the facts.

TABLE 2

U. S. IMPORTS OF CONSUMER ELECTRONIC PRODUCTS
(in thousands of units)

	1964	1966	1967	% Change 1964-67	1st Quarter 1967	1st Quarter 1968	% Change
TV	715	1,524	1,614	+125.7%	369	308	-16.5%
Radios	13,739	24,950	24,201	+76.1%	4,865	5,454	+12.1%
Phonographs	2,363	4,223	4,134	+74.9%	503	407	-19.1%
Tape Recorders	3,075	2,807	3,780	+22.9%	1,043e	1,282	+22.9%
	(in millions of dollars)						
Value of above	$212.6	$390.2	$458.8	+115.8%	$92.3	$104.6	+13.3%

e - estimated at the ratio of change in value, based on units published for 1st Quarter 1968 (n.a. in 1967).

SOURCE: Marketing Services Department, Electronic Industries Association; U. S. Department of Commerce, Bureau of the Census.

These swiftly rising imports have taken a very large share of the U. S. market for consumer electronic products. When you look at the following table, bear in mind that imports of textiles are now about 10% of the domestic market.

TABLE 3

IMPORTS OF CONSUMER ELECTRONIC PRODUCTS AS SHARE OF U. S. MARKET
(in per cent)

	1964	*1966*	*1967*	*1st Quarter 1968*
TV	7.3%	12.0%	14.0%	11.0%
Radios (Home)	58.3%	71.7%	74.4%	77.8%
Phonographs	31.4%	40.1%	43.3%	30.0%
Tape Recorders	86.4%	76.4%	82.5%	85.3%

SOURCE: Derived from import and market data compiled by Marketing Services Department, Electronic Industries Association.

These consumer electronic products are assemblies composed of electronic components such as tubes, transistors, capacitors, resistors, inductors, loudspeakers, etc. The quantity of components imported in the form of sets is very great. These must be counted in any definitive determination of total import penetration of the U. S. components market, just as the square yard equivalent of fabric contained in imported apparel is counted in the efforts directed to restraint of cotton textile imports. The combined direct (as components) and indirect (as consumer products) imports of electronic components are shown in the following table.

95-159 O - 68 - pt. 8 - 7

TABLE 4

TOTAL U. S. IMPORTS (DIRECT AND INDIRECT) OF ELECTRONIC COMPONENTS, 1964-1967
(in millions of units)

CLASS OF COMPONENT	1964	1966	1967	% CHANGE 1964-67
ACTIVE COMPONENTS -				
Receiving Tubes	67.7	111.8	85.0	+25.5%
TV Picture Tubes	0.8	1.6	2.0	+147.2%
Transistors	149.9	681.6	532.8	+255.4%
Rectifiers and Diodes	105.6	383.8	484.6	+358.8%
PASSIVE COMPONENTS -				
Capacitors, Electrolytic	199.8	617.3	473.8	+137.1%
Capacitors, Fixed	785.6	1,616.1	1,692.6	+115.4%
Resistors, Fixed	1,019.3	2,377.6	2,238.8	+119.6%
Inductors and Transformers	259.7	551.7	506.1	+94.9%
OTHER COMPONENTS -				
Controls	55.6	169.9	90.3	+62.5%
Loudspeakers	25.3	55.5	48.0	+89.5%
Record Changers	2.3	4.6	4.1	+79.3%

SOURCE: Appendix Table I

The rate of increase in imports of these electronic products is obviously so high that they cannot be received into the American market without causing severe dislocation to American production. The volume of imports of these components represents a major penetration of the U. S. market. The extent of this capture of our domestic market by foreign production is shown in the following table.

TABLE 5

RATIO OF IMPORTS TO U. S. COMMERCIAL SALES OF SELECTED ELECTRONIC COMPONENTS, 1964-1967

CLASS OF COMPONENT	1964	1966	1967
ACTIVE COMPONENTS -			
Receiving Tubes	20.1%	27.6%	29.2%
TV Picture Tubes	8.5%	12.1%	18.7%
Transistors	102.7%	227.3%	242.3%
Rectifiers and Diodes	17.6%	31.9%	43.0%
PASSIVE COMPONENTS -			
Capacitors, Electrolytic	92.6%	171.4%	169.9%
Capacitors, Fixed	45.6%	62.5%	92.7%
Resistors, Fixed	35.2%	52.2%	112.7%
Inductors and Transformers	479.6%	581.0%	532.6%
OTHER COMPONENTS -			
Controls	n.a.	66.4%	n.a.
Loudspeakers	50.0%	82.4%	109.1%
Record Changers	n.a.	51.7%	n.a.

SOURCE: Appendix Table II

From the data in this table it is obvious that imported electronic components have achieved a major and steadily rising penetration of the U. S. market. It is this very high volume, rapid increase in imports and the very large and rising share of the U. S. market accounted for by foreign-produced components which are contributing to the absolute loss of employment in this once dynamic industry to which I referred a moment ago.

We ask this Committee to report legislation which will bring this very destructive import situation under some measure of reasonable control. We are not asking for a substantial rollback in imports. Instead, we ask that the future growth of imports be brought into some reasonable relationship to the total growth of the U. S. market.

Neither the electronic components industry nor any other American industry should be subjected to such uncontrolled and massive attacks upon its domestic market in so short a space of time as is indicated by the data which I have presented. Obviously, the electronic components industry is much more severely affected by imports than those few industries which have been the recipient of some means of positive import control, such as textiles and petroleum products.

V. THE U. S. BALANCE OF PAYMENTS HAS BEEN SERIOUSLY AFFECTED BY A SEVERE IMBALANCE IN U. S. FOREIGN TRADE IN CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS.

Aside from the welfare of the domestic industry producing electronic components and of its employees, there is also an urgent need for the Congress to provide positive control over the foreign trade in consumer electronic products and components for balance of payments reasons. The size and growth of our Nation's balance of trade deficit in these import-sensitive electronic products are shown in the following table.

TABLE 6

U. S. BALANCE OF TRADE IN CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS, 1964-1967
(in millions of dollars)

	1964	1966	1967
EXPORTS			
Consumer Electronic Products	$ 64.2	$ 76.8	$ 76.6
Active Components	72.2	87.0	79.1
Passive and "Other" Components	39.2*	131.3*	145.0*
Total	*$ 175.6**	*$ 295.1**	*$ 300.7**
IMPORTS			
Consumer Electronic Products	$ 212.6	$404.3	$ 469.8
Active Components	21.5	68.9	64.4
Passive and "Other" Components	58.4	181.0	159.0
Total	*$ 292.5*	*$654.2*	*$ 693.2*
BALANCE OF TRADE			
Consumer Electronic Products	-$148.4	-$327.5	-$393.2
Active Components	+50.7	+18.1	+14.7
Passive and "Other" Components	-37.8*	-63.1*	-19.9*
Total	*-$116.9**	*-$359.1**	*-$392.5**

* Export data for Earphones and Head Sets not available, 1964-1967; 1964 export data not available for Microphones and for Parts for radio and TV apparatus, phonographs, active and passive components, and other components.

SOURCE: Appendix Table III

The balance of trade deficit in these import-sensitive categories of consumer electronic products and electronic components of nearly $400 million is a serious matter. The fact that this deficit more than trebled in three years' time is a serious matter.

Thus, the severe impact of these swiftly rising imports of consumer electronic products and components is harmful not only to the private sector (that is, to employment in electronic plants around the country), but also to the public sector by making worse our Nation's difficult balance of payments situation.

VI. THE MANUFACTURE OF ELECTRONIC COMPONENTS IS HIGHLY LABOR INTENSIVE - MORE SO THAN MOST MANUFACTURING INDUSTRIES AND, HENCE, CORRESPONDINGLY MORE VULNERABLE TO LOW-WAGE IMPORT INJURY.

It is now recognized by the U. S. Government and by other governments who are signatories to the Long-Term Cotton Textile Arrangement that the manufacture of cotton textiles is so labor intensive that the concentration of production for export in low-wage Asian countries results in market disruption in developed countries. This calls for import regulation by agreement backed up by quotas, as provided in the Long-Term Cotton Textile Arrangement, in order to provide for an orderly expansion of trade that is in the interests of both supplying and recipient countries.

The same principles apply, but with even greater emphasis, to foreign trade in electronic components. This is shown by the data in the following table.

TABLE 7

COMPARATIVE LABOR INTENSIVENESS OF ELECTRONIC COMPONENTS MANUFACTURE IN THE UNITED STATES

	PAYROLL AS A % OF -	
	Value of Shipments	*Value Added by Manufacture*
All Manufacturing Establishments	22.2%	48.7%
Cotton Broadwoven Fabrics, SIC 2211	24.8%	61.4%
Apparel and Related Products, SIC 23	25.9%	56.3%
Electronic Components, SIC 367	39.6%	62.0%
- Receiving tubes, SIC 3671	42.6%	54.6%
- Semiconductors,* SIC 3674	46.7%	66.0%
- Capacitors,* SIC 36792	38.5%	56.5%
- Resistors,* SIC 36793	40.5%	54.4%
- Coils, transformers, reactors, and chokes, SIC 36794	39.0%	70.1%

* Establishments with 90% or more specialization.

SOURCE: U. S. Department of Commerce, *1963 Census of Manufactures*

The above data show that the manufacture of electronic components is nearly twice as labor intensive as that of the average of all manufacturing in the United States when judged by the ratio of payroll costs to the value of shipments. The production of electronic components is also clearly far more labor intensive than the manufacture of cotton broadwoven fabrics or of apparel, the central areas of concern in the import regulation system established in the Long-Term Cotton Textile Arrangement.

The current ratio of imports of electronic components to domestic sales (previously shown in Table 5 as ranging from 18.7% to 532.6% for the broad range of electronic components) vastly exceeds the similar ratio of 10% applicable to cotton textiles.

On a market penetration basis, therefore, imports of electronic components, because of the greater labor intensiveness of their manufacture, have been more seriously affected than cotton textiles. Unlike the special concern shown by the Government for the cotton textile industry (as evidenced by the negotiation of the Long-Term Cotton Textile Arrangement and the restraint shown in duty reductions in the Kennedy Round), the electronic components industry has received no assistance in the form of import regulation from the Government and all but one of its products was reduced by 50% in the Kennedy Round.

As in the case of cotton textiles, the principal source of U. S. imports of consumer electronic products and components is Japan and the other low-wage Asian countries. This is shown by the data in the following table.

TABLE 8

ORIGIN OF U. S. IMPORTS OF CONSUMER ELECTRONIC PRODUCTS AND SELECTED COMPONENTS, 1966
(In thousands of dollars)

Country of Origin	Television Receiving Sets	Radio Receiving Sets	Phonographs, Sound Recorders, and Parts	Active Components	Passive Components	TOTAL	% Which Each Area Is of Total
CANADA	$ 9,543	$ 11,111	$ 371	$ 5,077	$ 1,990	$ 28,092	4.8%
LATIN AMERICA	-	210	-	345	127	682	0.1%
TOTAL WESTERN EUROPE	160	11,390	51,790	41,696	10,055	115,091	19.9%
EEC	*135*	*8,451*	*17,128*	*24,651*	*6,967*	*57,332*	*9.9%*
EFTA	-	*898*	*33,807*	*8,860*	*2,444*	*46,009*	*7.9%*
Other Western Europe	-	*2,042*	*855*	*8,186*	*644*	*11,727*	*2.0%*
JAPAN	106,754	135,239	78,947	35,172	24,503	380,615	65.7%
OTHER ASIA	-	32,779	-	19,474	1,499	53,752	9.3%
OTHER COUNTRIES, NES	-	374	322	229	425	1,340	0.2%
TOTAL OF ABOVE	$116,457	$191,103	$131,430	$101,983	$ 38,599	$579,572	100.0%

SOURCE: United Nations, *Commodity Trade Statistics*, Statistical Papers Series D, Volumes XII, XIV, and XVI; U. S. Department of Commerce, Bureau of the Census, FT 246.

Japan and the other nations of Asia together account for 75% of the total U. S. imports of the products covered by the above table.

The electronic products import problem is an Asian problem. It is compounded by the highly labor-intensive nature of electronic component manufacturing in the United States, on the one hand, and the low wages prevailing in the electronic manufacturing industries of Japan, Hong Kong, and Taiwan, on the other hand.

The remaining factor of significance which contributes to the dimensions of the problem is the very low level of duties which remain after repeated reductions in U. S. duties, and the further virtually 50% reduction in duties which the United States has agreed to in the Kennedy Round.

VII. U. S. IMPORT DUTIES HAVE BEEN DESTROYED BY SEVERE TARIFF REDUCTIONS AS AN IMPORT-REGULATING MEANS; OTHER MEASURES ARE REQUIRED IF U. S. MANUFACTURE AND EMPLOYMENT IN THESE ELECTRONIC INDUSTRIES ARE TO BE PRESERVED.

As a result of repeated tariff reductions in the past, which were carried forward in virtually all cases by a 50% reduction in the Kennedy Round, the present and post-Kennedy Round level of U. S. import duties on consumer electronic products and the import-sensitive classes of components identified in this testimony are below the level of duties applicable to the other principal markets for such products.

The results of the tariff bargaining in the electronics sector in the Kennedy Round were so unfair to the U. S. producers of electronic articles that the following assessment was made on behalf of all of the U. S. electronic industries in a statement filed on behalf of the Electronic Industries Association by its President with the Trade Information Committee:[1]

> "While it may be too early to determine the full effects of the Kennedy Round it appears, on the basis of information available, that the United States delegation gave more than it received so far as tariffs on electronic products are concerned, especially to the European Economic Community. Continuing nontariff barriers, added to higher tariffs in both the Common Market and Japan, aggravate the problem of U. S. exporters who strive to increase their exports.
>
> "It does seem to us that American trade representatives may not have recognized the opportunities for further expansion of U. S. exports of electronic products and the consequent beneficial effect on our balance of payment. Had the tariff reductions agreed to in Geneva been fully reciprocal, both our industry and our nation would have benefitted.
>
> "In the Kennedy Round the U. S. electronics industry entered the negotiations with generally the lowest tariffs, and after, in most instances, a 50 per cent cut of U. S. tariffs we made the greatest concessions and emerged with an even more unbalanced tariff rate structure than we had before." (p. 2)

The unfairness implicit in the comparative level of import duties on electronic products, the United States versus Japan and the EEC, is aggravated by the border taxes and export rebates practiced by the EEC

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[1] Full text of the statement is attached as Exhibit 1.

nations. Members of the Ways and Means Committee have manifested a keen interest in these hearings in receiving specific information concerning the quality of the Kennedy Round negotiations affecting U. S. industries. Fortunately, an incisive analysis of the Kennedy Round tariff concessions on electronic products has been prepared and published by the Marketing Services Department, Electronic Industries Association, in its authoritative publication *Electronic Trends International* (issue of May 1968). This analysis is set forth in full text in Exhibit 2 to this statement. The following points are based upon that analysis:

1. The E. E. C. granted no tariff reductions in five product categories: Computers, Semiconductors, TV Picture Tubes, Electronic Test and Measuring Instruments, and Parts for Instruments. These categories accounted for 48.6% of U. S. electronic exports to the E. E. C. in 1967.

2. Starting at lower base rates than the 13.0% Common External Tariff of the E. E. C., the U. S. reduced duties up to 50% on products which accounted for 95.7% of imports from the E. E. C.

3. The product categories in which the E. E. C. granted less than 50.0% reductions equaled 34.5% of total U. S. electronic exports to the E. E. C. in 1967.

4. The E. E. C. made 50.0% reductions on categories accounting for only 16.9% of total U. S. electronic exports to the E. E. C. in 1967.

The effect of the EEC border taxes on the total landed cost of U. S. exports to EEC countries in comparison with the much lower landed costs of comparably factory-priced goods entering the United States is shown at pages 24a-25b of Exhibit 2. To illustrate the burden of these border taxes, that analysis shows that the landed cost of U. S.-produced television receiving sets exported to EEC countries with factory invoice prices identical to those produced in the EEC ranged from 115% to 142% of the landed cost of EEC-produced television sets imported into the United States.

For semiconductors, the comparison shown by the same analysis is a range for the landed cost of U. S. exports to EEC from 112% to 128% of the landed cost of EEC-produced semiconductors imported into the United States.

For capacitors, the similar comparison is a landed cost for U. S.-produced articles exported to Europe ranging from 105% to 120% of the landed cost of similar products produced in Europe imported into the United States.

Because of the labor-intensive character of electronic components manufacture and the higher wage levels which prevail in the United States in comparison with other producers, our costs of production exceed those in other countries. This is not a new or surprising fact, but it needs to be taken into account in considering the relative level to which U. S. duties on our products have been reduced in trade agreement negotiations. It is especially noteworthy that other countries, including Japan, have resisted such extravagant reductions in their duties. The situation is summarized in the following table.

TABLE 9

IMPORT DUTY RATES OF THE U. S., JAPAN, AND EUROPEAN PRODUCERS OF CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS (POST-KENNEDY ROUND)

	UNITED STATES	JAPAN	EEC	UNITED KINGDOM
Television Receiving Sets	5%	10% 15% (not over 10" screen)	14%	15%
Radio Receiving Sets	6% 10.4% (transistor)	9% 17.5% (transistor)	14%	15%
Radio-Phonographs	6.5%	17.5%	14%	15%
Phonographs, Sound Recorders, and Parts	5.5%	15%	9.5%	10%
Receiving Tubes	6%	10%	8%	20%
Transistors	6%	15% 7.5% (germanium)	17%	20%
Capacitors	10%	7.5%	7%	12.5%
Resistors	6%	7.5%	8%	17%
Inductors	7.5%	7.5%	5.5% and 7%	10%
Other Radio Parts	6%	10%	9%, 13%, 17%	15%
Other TV Parts	5%	10%	9%, 13%, 17%	15%

SOURCE: Office of the Special Representative for Trade Negotiations, *Report on United States Negotiations, GENERAL AGREEMENT ON TARIFFS AND TRADE 1964-67 TRADE CONFERENCE, Geneva, Switzerland*; GATT, *Legal Instruments Embodying the Results of the 1964-67 Trade Conference.*

In view of the high rate of increase of imports already established under the pre-Kennedy Round rates of duty, as shown by the data for 1964-1967, previously discussed, both the 50% reductions in duty in the Kennedy Round and the resulting level of U. S. duties - generally below those of the other nations producing electronic products - hold ominous implications for the electronic components industry.

The Kennedy Round reductions can only serve to stimulate further the rapid increase of imports; the comparative lack of success in exporting in the past will not be changed by the situation left in the aftermath of the unequal tariff bargaining in the Kennedy Round in which the U. S. electronic industries confront higher levels of duties abroad than their foreign competitors will enjoy in the U. S. market.

In these circumstances, the Parts Division of the Electronic Industries Association, on behalf of its own members and those of the Distributor Products Division, EIA, and the American Loudspeaker Manufacturers Association, urges the Committee to give favorable consideration to the electronic products import quota bills (H. R. 14597 and similar bills).

The electronic products bill has been described by a free-trade organization, the Canadian-American Committee, National Planning Association (U. S. A.), in its analysis of the pending quota proposals as a type which "would bring no immediate cut in imports and cause the least impairment thereafter."[2]

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[2] Canadian-American Committee, National Planning Association (U. S. A.), *Constructive Alternatives to Proposals for U. S. Import Quotas*, p. 26 (February 1968).

We also support the Collier bill, H. R. 17674, which provides for similar liberal treatment and flexible administration of rising import quotas in the future for the basic steel, footwear, flat glass, meat products, and electronic products industries, with a general procedure under which other industries which become similarly over-burdened by excessive and market-disruptive imports in the future could seek similar relief through a Tariff Commission investigation.

The electronic products import quota bill, like the Collier bill, is constructive in its delegation of plenary trade agreement authority to the President to adjust the statutory quotas through negotiation with affected countries to seek amicable solutions to the import problem, much in the way that the Long-Term Cotton Textile Arrangement was negotiated amicably and without retaliation by the United States and many other nations under the auspices of GATT.

We believe it of major importance that the AFL-CIO in its testimony before this Committee reversed its prior position of unqualified opposition to trade restrictions and urged that international agreements similar to the Long-Term Cotton Textile Arrangement be concluded "affecting trade in industries that are sensitive to disruption by rapidly rising imports and unfair competition." The AFL-CIO recognized in its testimony that labor-intensive operations in electronics manufacture have become the object of runaway shops in foreign-based plants which lead to the loss of actual and potential jobs for U. S. workers.

The International Union of Electrical Workers, which represents workers in some electronic plants, also recently recognized in its testimony before the Trade Information Committee that,[3]

> "The major problem area [in foreign trade in electronic products] is the large growth of imports, chiefly from Japan in the fields of small radio receivers, small TV receivers, cheap tape recorders and a number of components. In addition, imports of these products are growing in some of the low wage areas of the Far East, such as Hong Kong, Formosa, Korea, etc." (p. 21)

The IUE also correctly identified runaway American plants as one cause of this major problem. It stated -

> "Unfortunately, what has been happening is that many American companies have been moving from country to country in search of places where they can get the cheapest wage rates. As a matter of fact, a great many of the products that come into this country sold under the names of our large corporations are made abroad and the consumer does not know that." (p. 22)

Nevertheless, the IUE opposed enactment of the electronic products import quota bill. Instead, it proposed that "our government initiate a conference of nations principally involved in trade in electronics to work out harmonious solutions." The President of the IUE stated that he will be going to Japan this month where he intends to discuss these problems.

Unfortunately, the IUE executive appears not to have had called to his attention the fact that the principal purpose of the

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[3] Statement of Paul Jennings, President, before the Trade Information Committee, Office of Special Representative, April 11, 1968, pp. 21, 22.

95-159 O - 68 - pt. 8 - 8

electronic products import quota bill is to achieve "harmonious solutions" to the import problem through governmental action. It is for this reason that the bill, and the Collier bill, would grant plenary authority to the President to enter into trade agreements with countries supplying electronic products to the United States to achieve mutually agreeable solutions to the problem.

Harmonious solutions depend upon negotiations. Negotiations require for their success that each of the parties possess a negotiating position. The electronic products import quota bills, and the Collier bill, are designed to create a negotiating position for the President by setting up a system of statutory quotas - liberal in themselves - which can be liberalized through negotiations.

We cite this Union testimony to you because of its importance in recognizing specifically the dimensions of the electronic products import problem as we recognize it, and in calling upon the Government to utilize negotiations in the manner of the Cotton Textile Arrangement to achieve a solution to the problem. Negotiations cannot take place simply by virtue of the wish of one side. Some definite act must set the stage for the negotiations. The bills are designed upon their enactment to set the stage and to move the forces into action which can bring about negotiations.

VIII. THE ELECTRONIC COMPONENTS INDUSTRY IS BEING HARMED BY WIDESPREAD DUMPING OF ELECTRONIC PRODUCTS AND IMPROPER ADMINISTRATION OF THE ANTIDUMPING ACT BY THE TREASURY DEPARTMENT.

U. S. producers of electronic components are alarmed by the widespread dumping of a wide range of electronic components and by consumer electronic products incorporating these components. Anti-dumping complaints have been filed in regard to the following electronic products: black and white and color television receiving sets, color television picture tubes, electron receiving tubes, resistors, capacitors, inductors (transformers), loudspeakers, deflection yokes, tuners, and ferrite cores.

These complaints have been filed over a period of time extending from July 1, 1967, through March 22, 1968. Thus far formal antidumping investigations have been announced by the Treasury Department in the case of black and white and color television receiving sets, electron receiving tubes, and resistors. An announcement by Treasury of the formal initiation of antidumping investigations in the other cases is hopefully and anxiously awaited.

Experience thus far in the recent administration of the Antidumping Act offers little encouragement for prompt or effective action by the Treasury in checking the widespread, unfair trade practices which characterize the import trade in consumer electronic products and components.

In these hearings, members of the Committee have expressed a definite interest in receiving specific information concerning problems encountered by domestic industry in the administration of the Antidumping Act. As a service to the Committee and in the hope that discussion of these problems will lead to some administrative reform if not positive legislation, we offer as Exhibit 3 to this statement a detailed discussion of the many problems which currently exist in the administration of the Antidumping Act. The help of the Committee in achieving a correction of these problems is earnestly solicited.

IX. CONCLUSION AND RECOMMENDATIONS.

The manufacture of consumer electronic products and of electronic components is carried on in 42 of the 50 States of the Union. (See Appendix Table IV ranking the States in order of importance by size of employment in the manufacture of these electronic products.) The loss of employment in these electronic industries has a widespread effect on workers and their communities throughout the United States.

The degree of market penetration by imports and the rate of increase of imports are so great that prompt remedial action is required by direction of the Congress. We urge that this action be in the form of the enactment of equitable import controls affording fair access to both domestic and foreign-produced electronic products commensurate with the future growth of the American market, in the manner set forth in H. R. 14597 and similar bills, or the Collier bill, H. R. 17674.

In addition, the widespread dumping of electronic products in the United States market calls for prompt reform of ineffective and improper administration of the Antidumping Act by the Treasury Department. The enactment of H. R. 16332 and similar bills, and legislative oversight of the administration of the Antidumping Act by this Committee are needed in order to accomplish this reform.

We urge that these legislative actions be taken by way of amendment to the Administration's trade bill, and that in addition the following amendment be made to the present language of that bill:

> Amendment of Section 301(b)(1) and (3) of the Trade Expansion Act of 1962 in accordance with the substance of the amendments proposed by the Administration to Section 301(c)(1), (2), and (3).

This would complete a reform of the so-called "escape clause" [tariff adjustment] procedure of the Trade Expansion Act by extending to petitions filed by domestic industries for tariff relief the same reform in procedure which the Administration now proposes for the consideration of petitions by firms and groups of workers for nontariff relief.

This concludes our statement. Thank you.

EXHIBIT 1

STATEMENT OF THE ELECTRONIC INDUSTRIES ASSOCIATION

TO THE

TRADE INFORMATION COMMITTEE
WASHINGTON, D. C.

PRESENTED BY

ROBERT W. GALVIN, PRESIDENT
ELECTRONIC INDUSTRIES ASSOCIATION
2001 EYE STREET, N. W., WASHINGTON, D. C.

This statement is submitted on behalf of members of the Electronic Industries Association (EIA) which is the national organization of electronic manufacturers representing all major product categories. Our membership of more than 300 companies includes large, medium, and small manufacturers. It includes manufacturers who export and/or import as well as others who do neither.

Understandingly, there are different opinions among our members as to what the United States foreign policy with respect to imports should be. But there is no difference of opinion with respect to our national policy on exports. We are unanimous in the belief that our Government should do everything possible to improve our export opportunities and the United States balance of payments.

The electronics industry is a relatively new industry, and consequently it may be that its importance to the American economy has not been fully recognized in past international trade negotiations. It appears this may have been true in the recent Kennedy Round of the GATT conferences in Geneva.

EIA was established 44 years ago as the Radio Manufacturers Association. The industry was still small when the first tariff reductions were effected in the 1930's. Employment probably did not exceed 5,000 or sales $150 million in 1924. This year electronic factory sales are expected to exceed $23 billion and employment is well over 1,000,000. U.S. electronic manufacturers now produce an estimated two-thirds of the world's electronic equipment, based on dollar volume, outside the Communist nations. Our industry ranks fifth among U.S. manufacturing industries.

EXHIBIT 1

Our electronic exports have grown in recent years to reach $1.75 billion in 1967, according to EIA's Marketing Services Department, but the increase has been largely in the military-industrial area. Imports have increased even more rapidly to reach $806 million in 1967, and these have been heavily in the consumer or home entertainment market. They have been in both consumer equipment and in components. American investments abroad in electronic manufacturing facilities are rising and already amount to several billion dollars.

EIA has cooperated with Government agencies over the years in promoting international trade among Free World nations. In 1964 we were awarded an "E" certificate by the Secretary of Commerce for our efforts in this field.

While it may be too early to determine the full effects of the Kennedy Round it appears, on the basis of information available, that the United States delegation gave more than it received so far as tariffs on electronic products are concerned, especially to the European Economic Community. Continuing non-tariff barriers, added to higher tariffs in both the Common Market and Japan, aggravate the problem of U.S. exporters who strive to increase their exports.

It does seem to us that American trade representatives may not have recognized the opportunities for further expansion of U.S. exports of electronic products and the consequent beneficial effect on our balance of payment. Had the tariff reductions agreed to in Geneva been fully reciprocal, both our industry and our nation would have benefitted.

In the Kennedy Round the U.S. electronics industry entered the negotiations with generally the lowest tariffs, and after, in most instances, a 50 per cent cut of U.S. tariffs we made the greatest concessions and emerged with an even more unbalanced tariff rate structure than we had before.

The following examples are illustrative:

EXHIBIT 1

Electronic products in which the United States is preeminent were granted little or no concessions by the European Economic Community.

The United States reduced its tariff on computers from 11.5 to 5.5 per cent, while no concessions were made by the Common Market which has a rate of 14 per cent. The U.S. cut its tariffs on all electronic and measuring equipment 50 per cent as did Japan. The Common Market made a general reduction of 50 per cent but omitted electronic test and measuring equipment.

The tariffs on transistor radios, on the other hand, were cut substantially by both Europe and Japan, while the U.S. rate was reduced only from 12.5 to 10.4 per cent. Yet this country imports such radios heavily, chiefly from Japan, and does little exporting.

U.S. tariffs on electron tubes were cut from 12.5 to 6 per cent; and, while corresponding reductions were made by Europe and Japan, the American rate remains less than half that of Japan and under the rates of the Common Market.

Perhaps more striking examples of imbalance in Geneva agreements on electronic products were tariffs on transistors and semiconductors which American industry developed and produces in the largest volume. While the U.S. rate was reduced from 12.5 to 6 per cent, no concessions were made by the Common Market. Japan limited its reduction to germanium transistors, cutting the rate from 15 to 7½ per cent.

These changes do not appear logical to our industry; they have seriously impeded our potential to export and increased the U.S. trend to import.

A number of American businessmen, including members of our Association, are concerned that not enough was done in the Kennedy Round to strike down artificial non-tariff barriers to trade. There are extant throughout the world uncalled for restraints on trade which shackle the flow of goods between nations. This is a prime area for consideration in the development of U.S. trade policy. Mutual removal of these barriers to trade will put trade on a fair basis and eliminate discriminatory, unfair advantages which these barriers create.

EXHIBIT 1

The U.S. electronics industry as a whole is prosperous today and its annual sales continue to rise, but more than half of our sales are to Government agencies and the military services. If and when a Vietnam peace is negotiated - which we strongly support - a sharp reduction in military requirements may occur. The need for greater exports then will be accentuated.

Meanwhile, our world competitors, often with direct Government support, are growing stronger. The United States has helped rebuild their wartorn industries. We welcome competition in the world market, but we ask that the rules be the same for all participants and that the American electronics industry not be handicapped by higher tariffs and non-tariff barriers and licensing limitations in our rivalry for foreign business.

The U.S electronics industry in some instances has been able to counter higher tariffs and non-tariff barriers by rapid technological advances. Much of this research has been an outgrowth of our military programs and has been heaviest in military and industrial products. But this advantage is likely to diminish when our defense expenditures are reduced. Meanwhile, our international competitors are rapidly catching up, often with American licenses.

A good deal of attention should be paid to the emergence of new taxing systems abroad which will, when in full swing, disadvantage U.S. exports and simultaneously give an advantage to foreign producers. The rules of the GATT which set up a dichotomy between direct and indirect taxes should be changed so as to permit countries such as ours to remedy these disadvantages and to offset these advantages.

While recognizing the U.S. Government's concern with its unfavorable balance of payments position, and the necessity for action to adjust the situation, we believe that stringent restrictions on foreign investments by U.S. companies is self-defeating of these objectives. Although curtailment of foreign investments would decrease the outflow of capital for the short-term, the long-term impairment of overseas trade would more than outweigh any advantage gained.

EXHIBIT 1

The expansion of U.S. industry in overseas areas during the past ten years has been one of the dynamic factors in the growth of the Gross National Product, and the dollars returned to the United States from overseas operations of manufacturers have more than compensated for the original investments. Apart from the purely financial considerations the psychological effect of stringent restrictions would be immeasurable. We feel that effective alternatives should be the subject of highest priority to the U.S. Government.

We point out also that the restrictions place an unfair burden on newer manufacturers while causing few problems to large international companies that have been manufacturing overseas for many years. Moreover, they are unfair to companies that participated in the voluntary programs. These companies, as a consequence of their cooperation, have a smaller base on which to calculate the amounts which they may reinvest abroad.

These are just a few of the substantive areas which we believe need close attention during this Committee's current study.

Turning now to the administrative or procedural side of this question, we believe that all the diversified elements of the U.S. Government concerned with foreign trade should be centralized in a single agency of cabinet level. This recommendation is based on the experience and advice of manufacturers who form our International Department.

At present, in addition to the Office of the Special Representative for Trade Negotiations, there are elements of the Department of Commerce, Department of State, Department of Defense, and many other agencies directly concerned with aspects of foreign trade. For a company to obtain a major decision it is often necessary to deal with all these agencies, and frequently several offices in each, with a consequent loss of time and money. We believe that a single agency, comparable to the Ministry of Foreign Trade in many other countries, would go far toward eliminating present confusion and duplication of effort.

EXHIBIT 1

The Electronic Industries Association would strongly support and give full cooperation to any governmental effort aimed at simplifying procedures involved in exporting. As an example, a normal export shipment now requires completion and presentation to Government agencies of a minimum of eight documents. We believe that a reduction in this quantity of documentation could be accomplished at great saving in time and money to both exporters and the Government.

In view of the recognized importance of international trade we believe the U.S. Government should undertake an aggressive program of trade development comparable to that of other countries. In this connection, we support the efforts of the U.S. Department of Commerce and other agencies to encourage exports by making information on overseas markets readily available to the business community, and in the program of trade fairs, trade centers, and trade missions. We submit the following specific suggestions for your consideration:

(a) It is recommended that the Government place greater emphasis on assembling information on non-tariff barriers and making it available to industry, as well as provide leadership in initiating negotiations for their removal.

(b) We recommend greater participation on the part of the U.S. Government in international standards deliberations. In this we concur with the testimony presented by the U.S. Standards Institute. Restrictive practices in standards are notable examples of non-tariff barriers used by other countries to bar U.S. exports.

(c) We recommend that the Government intensify efforts to provide business-trained personnel in U.S. embassies as commercial attaches with the capability and desire to assist U.S businessmen abroad.

EXHIBIT 1

The Electronic Industries Association appreciates this opportunity to present its views on this important matter and stands ready to assist the efforts of this office in any way proper to achieve the national goal of a sound U.S. foreign trade policy.

EXHIBIT 2

ANALYSIS OF THE KENNEDY ROUND TARIFF CONCESSIONS ON ELECTRONIC PRODUCTS

(Reproduced from ELECTRONIC TRENDS INTERNATIONAL, May 1968, pages 7-25b; prepared and published by Marketing Services Department, Electronic Industries Association)

PART I

1967 E.E.C. - U.S. Trade Flow and Comparative Tariff Structures

The following narrative and data are not intended as a general commentary on the results of the Kennedy Round negotiations.

* * *

This economic report limits itself to one industrial sector of the U.S. economy, more precisely defined as the sector which manufactures or distributes the products and product categories featured as "Selected Electronic Products and Related Items" in the monthly studies of the International.

Part I discusses the U.S. and E.E.C. trade and tariff structure. To present a factual and composite picture of total import costs, Part II then relates the tariff rates to other import charges.

This is a product oriented marketing study limited to present and future tariff structures and trade patterns between the U.S. and the E.E.C. References to tariff rates in the context of this study concern actual reductions, increases or no concessions --- after the individual member countries of the E.E.C. had established a common base rate for negotiations.

The rather liberal interpretation of a tariff concession as defined by the General Agreements on Tariff and Trade (G.A.T.T.) has been purposefully disregarded.

> "Concession - A commitment undertaken by a participant in the Kennedy Round, usually with respect to the tariff treatment of imports of a given product. In such a case, a concession may be either: (1) a commitment to make a specified reduction in the rate of duty on a product, or (2) a commitment that the rate of duty will not be increased or, if the product is duty-free, that a duty will not be imposed on it. A concession of the types described in (2) is termed a binding." (a)

By the quoted definition, a frozen tariff rate of 17% applicable through 1972 on semiconductor imports into the E.E.C. is considered a concession.

(a) Report on U.S. Negotiations, Volume I, page 181.

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.

* * *

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.

EXHIBIT 2

Starting at lower base rates than the 13.0% C.X.T. and running up to 50.0% in reductions, the U.S. liberalized rates are applicable to products which comprised $11.1 million of the $11.6 imported from the E.E.C. (See detailed U.S. Tariff Structure, Table I, pages 10a - 10b).

As with the finished products, the C.X.T. for Parts of Electronic Test and Measuring Instruments was set and held at 13.0%. The U.S. reductions equalled those of the finished products, since the same tariff rates apply to parts.

* * *

The product categories in which the E.E.C. granted less than 50.0% reductions equalled 34.5% of total U.S. electronic exports to the E.E.C. in 1967.

On January 1, 1972, the date when the final Kennedy Round rates are in effect, the U.S. tariff rates will be lower than the C.X.T. in 14 of the 16 listed categories; those in which the E.E.C. reduced less than 50.0%. (See Table II, pages 11a - 12b).

The total extent of the U.S. concessions in this area becomes more evident when placed in a ratio of reduction perspective.

In 11 of the 16 categories the U.S. started at lower rates than the E.E.C. and made reductions of 50.0%.

The sixteen categories under discussion have been "basketed" for facility of presentation. In fact, they include thousands of separate products. Viewed in the individual product context, disproportionate decreases in several product categories become extremely significant.

The pre Kennedy Round U.S. tariff rate on all Parts for Electronic Data Processing Machines was 11.0%. The 1972 rate will be 5.5%, a 50.0% reduction. The E.E.C. will decrease from 11.0% to 10.5% during the same period of time.

A comparable situation is applicable to any product in the Telecommunications Equipment categories. The U.S. reduced from 12.5% to 6.0%, while the C.X.T. cut went from 16.0% to 11.0%.

* * *

The E.E.C made 50.0% reductions on categories amounting to $84.9 million or 16.9% of total U.S. electronic exports to the E.E.C. in 1967. (See Table III, pages 13a - 14b)

As in the E.E.C. no reduction and less than 50% reduction groupings, there was no change in pattern. In 15 of the 19 categories, the U.S. also made 50% reductions, with one important qualification; the pre Kennedy Round base rates of these 15 categories were lower than those of the pre Kennedy Round C.X.T.

EXHIBIT 2

TABLE I

NO E.E.C. REDUCTION GRANTED
(Add 000)

U.S. EXPORT CLASSIFICATIONS	U.S. EXPORTS TO E.E.C. 1967	E.E.C. TARIFF RATES PRE KENNEDY ROUND	E.E.C. TARIFF RATES FINAL RATE 1972	U.S. TARIFF RATES PRE KENNEDY ROUND	U.S. TARIFF RATES FINAL RATE 1972	U.S. IMPORTS FROM E.E.C. 1967	U.S. IMPORT CLASSIFICATIONS
Electronic Computers	118,241	14	14	11.5	5.5	2,784	Accounting, Computing, & other Data Processing Machines
Television Picture Tubes	6,977	15	15	(30	15	194	B.& W.Television Picture Tubes
				(12 (1)	15	7,612	Color Television Picture Tubes
Semiconductors	36,737	17	17	12.5	6	3,270	Semiconductors
Measuring, Checking, Analysing or Automatically Controlling Instruments & Apparatus, Electronic	72,163 (2)	13	13	(4)	(4)	11,618 (4)	Measuring, Checking, Analysing or Automatically Controlling Instruments & Apparatus, Electronic & Electrical
Parts for Measuring, Checking, Analyzing, or Automatically Controlling Instruments & Apparatus, Electronic	9,993 (2)	13	13				Parts for Measuring, Checking, Analyzing, or Automatically Controlling Instruments & Apparatus: (3)
				50	25	4	Parts of Ship's Logs & Depth-Sounding Instruments & Apparatus
				45	22.5	1	Parts of Anemometers

(4) The U.S.Tariff Rates & Import for products in this category are broken out as follows:

EXHIBIT 2

8.5	4	1,379	Automatic Voltage & Voltage Current Regulators, with or without Cut-out Relays, designed for use in a 6-volt, 12-volt, or 24-volt system, and Parts
15	7.5	101	Automatic Voltage & Voltage-Current Regulators, with or without cut-out relays & Parts thereof, N.E.C.
50	25	62	Optical Instruments or Apparatus & Parts thereof
92¢ ea. + 14%	46¢ ea. + 7%	89	Ship's Logs & Depth-sounding Instruments & Apparatus
14	7	217	Instruments & Apparatus for Measuring or Detecting Alpha, Beta, Gamma, X-Ray, Cosmic or similar Radiations & Parts
15.5	7.5	2	Seismographs & Parts
$2.25 ea. + 35%	$1.12 ea. + 17.5%	2	Anemometers
12	6	9,761	Automatic Flight Control Instruments & Apparatus designed for use in Aircraft and Parts thereof
12	10		Electrical Measuring, Checking, Analyzing or Automatically Controlling Instruments & Parts, N.E.C.

(1) Under a special provision the Tariff Rate for color picture tubes will remain at 12% through August 31, 1969. After that time, they will come in under the duty for B & W Television picture tubes.

(2) Electronic instruments, apparatus, & parts were estimated at 75% of total measuring, checking, analyzing or automatically controlling instruments & parts.

(3) Check U.S. Tariff Rates of parts classified with finished (complete) product.

EXHIBIT 2

TABLE II

LESS THAN 50% E.E.C. REDUCTION GRANTED
(Add 000)

U.S. EXPORT CLASSIFICATIONS	U.S. EXPORTS TO E.E.C. 1967	E.E.C. TARIFF RATES PRE KENNEDY ROUND	E.E.C. TARIFF RATES FINAL RATE 1972	U.S. TARIFF RATES PRE KENNEDY ROUND	U.S. TARIFF RATES FINAL RATE 1972	U.S. IMPORTS FROM E.E.C. 1967	U.S. IMPORT CLASSIFICATIONS
Parts for Electronic Data Processing Machines	47,581	11	10.5	11	5.5	N.A.	(Included in a basket category 676.5200 - Parts of Office Machines, excluding Typewriter Parts)
Television Receivers, including Combinations (2)	384	22	14	10	5	90	Television Receivers (2)
				13	7.5	7	Television - Radio - Phono.Comb.
Radios, including Combinations (2)	1,370	22	14	12.5	10.4	3,501	Solid State Radios (2)
				12.5	6	1,716	Radios, N.E.C. (2)
				13.75	6.5	3,166	Combination Radio - Phonograph
Transceivers	1,229	16	11	12.5	6	13	Transceivers
Television & Radio Broadcast Audio Equipment	211	16	11	10	5	N.A.	(Incl. 685.2040 - T.V. Apparatus & Parts, N.E.C.)
				12.5	6	N.A.	(Incl. in 685.2060 - Radio Apparatus & Parts, N.E.C.)
Television Broadcast Studio Equipment, Other than VTR's	849	(1)		10	5	N.A.	(Incl. in 685.2040 - T.V. Apparatus & Parts, N.E.C.)
Radio Communication Systems, except Mobile & Microwave	1,827	16	11				
Microwave Communication Systems & Equipment	1,044	16	11				
Mobile Communication Equipment, N.E.C.	4,426	16	11				

EXHIBIT 2

Communication Equipment & Parts, N.E.C.	8,975	16	11				
Inter-communication Equipment (other than wire telephone & telegraph)	327	16	11	12.5	6	1,520	Radio Apparatus & Parts, N.E.C.
Transmitters & Radio Frequency Power Amplifiers, other than broadcast	3,955	*	*				
* Transmitters		14	7				
Other		(1)					
Electronic Telecommunications Equipment, N E.C.	841						
Parts & Accessories for Telecommunications Equipment, N.E.C.	7,385	18	13				
Meteorological & Navigation Instruments, Electric or Electronic (3)	7,442	13	10				
Electronic Navigational Aids	19,382	13	10	15	7.5	596	Radio Navigational Aid Apparatus, Radar Apparatus & Radio Remote Control Apparatus, & Parts
Electronic Search & Detection Apparatus, Including Radar (3)	21,248	13	10				

(1) See page

(2) Complete Kits are classified with finished product; incomplete Kits are classified under their respective parts - (i.e. a receiving tube in an incomplete Kit would be classified under receiver tubes).

(3) Meteorological Instruments & Sonar Apparatus (including echo-sounding) would fall into BTN heading 90.28: Measuring, Checking, Analyzing or Automatically Controlling Instruments & Apparatus.

EXHIBIT 2

TABLE II

LESS THAN 50% E.E.C. REDUCTION GRANTED - (Cont.)
(Add 000)

U.S. EXPORT CLASSIFICATIONS	U.S. EXPORTS TO E.E.C. 1967	E.E.C. TARIFF RATES: PRE KENNEDY ROUND	E.E.C. TARIFF RATES: FINAL RATE 1972	U.S. TARIFF RATES: PRE KENNEDY ROUND	U.S. TARIFF RATES: FINAL RATE 1972	U.S. IMPORTS FROM E.E.C. 1967	U.S. IMPORT CLASSIFICATIONS
Communication Wire & Cable, Insulated	859	14 or 17 *	11				
Insulated Appliance Wire & Cord & Flexible Cord Sets, other than Ignition Harnesses and Cable Sets	528	14 or 17 *	11				
Power Wire & Cable, Insulated, under 601 Volts	505	14 or 17 *	11	17	8.5	4,054	Insulated Electrical Conductors, without fittings, containing (exclusive of insulation & sheating) over 10% by the weight of metal copper
Power Wire & Cable, Insulated, 601 Volts & over	31	14 or 17 *	11	15	7.5	32	Insulated Electrical Conductors, without fittings, N.E.C.
Magnetic Wire Insulated	282	14 or 17 *	11	17	8.5	451	Insulated Electrical Conductors, with fitting, N.E.C.
Insulated Electrical Cable, Cord, & Wire, N.E.C.	1,191	14 or 17 *	11				
* Lead-sheathed cables		17					
Other		14					
Resistors & Parts	8,275	13	8	12.5	6	2,594	Resistors & Parts
Parts & Accessories, N.E.C. for Electron Tubes	2,886	12	9				
Parts & Accessories, for Diodes, Rectifiers, Transistors, & Semiconductor Devices, N.E.C.	6,639	12	9	12.5	6	N.A.	(Included in basket category with Photocells, & Piezo-Electric Crystals)

EXHIBIT 2

Microscopes & Diffraction Apparatus, Electron & Proton	150	12	9	22	11	785	Electron, Proton & Similar Microscopes & Diffraction Apparatus
Electro-Medical & Electro-Therapeutic Apparatus, other than X-Ray Apparatus	6,498	13	8	(36	18	203	Electro-Surgical Apparatus & Parts
				(12	6	1,035	Electro-medical Apparatus & Parts
Video Tape Recorders	2,804	10	8)				
Recorders, Tape, Wire & Disc, except office Recording Machines & Recording Mechanisms (1)	5,749	13	8.5)				(Included grouped together in a basket category with all Tape Recorders & Dictation Machines & Parts)
Dictation Transcribing Machines (1)	160 **	15	9.5)	11.5	5.5	N.A.	
Combination Dictation Machines (1)	1,100 **	13	8.5)				
** Estimated							
Phonographs, Coin-operated, New	6,610	15	9.5	17	8.5	N.A.	(Included in basket category with Musical Instruments, N.E.C.)
Phonographs, except Coin-operated, New	249	15	9.5)				Record Players, Record Changers & Phonographs, with or without Speakers
Phonograph & Record Players, Used	297	15	9.5)	11.5	5.5	3,391	

(1) See page

EXHIBIT 2

TABLE III

50% E.E.C. REDUCTION GRANTED
(Add 000)

U.S. EXPORT CLASSIFICATIONS	U.S. EXPORTS TO E.E.C. 1967	E.E.C. TARIFF RATES PRE KENNEDY ROUND	E.E.C. TARIFF RATES FINAL RATE 1972	U.S. TARIFF RATES PRE KENNEDY ROUND	U.S. TARIFF RATES FINAL RATE 1972	U.S. IMPORTS FROM E.E.C. 1967	U.S. IMPORT CLASSIFICATIONS
Telephone Switchboards	---	15	7.5				
Telephone Switching Devices	---	15	7.5				
Telephone Carrier Equipment	36	13	6.5				
Telephone Instruments	115	15	7.5	17.5	8.5	4,271	Telephonic Apparatus & Instruments and Parts thereof
Telephone Repeater Equipment	56	15	7.5				
Telephone Apparatus & Equipment, N.E.C. & Parts, N.E.C	910	15	7.5				
Teleprinter Units (Wire)	626	15	7.5	14	7	974	Teleprinting & Teletypewriter Machines & Parts
Telegraph (Wire) Apparatus & Equipment, N.E.C.	1,403	15	7.5	14	7	6,896	Telegraph Apparatus & Instruments & Parts, N.E.C.
Measuring, Checking, Analyzing or Automatically Controlling Instruments & Apparatus, Electrical	18,040 (2)	13	6.5				(3)
Parts for Measuring, Checking, Analyzing, or Automatically Controlling Instruments & Apparatus, Electrical	3,332 (2)	13	6.5				(3)

EXHIBIT 2

Loudspeakers & Parts	1,404	14	7	15	7.5	636	Loudspeakers
Microphones & Parts, N.E.C.	478	14	7	15	7.5	912	Microphones
Audio-Frequency Amplifiers & Parts, N.E.C.	2,292	14	7	15	7.5	380	Audio-Frequency Electric Amplifiers
Public Address Systems	171	14	7	15	7.5	236	Headphones, Electric Sound Amplifier Sets
				15	7.5	321	Parts for Loudspeakers, Microphones, Amplifiers,etc.
Radio Broadcast Transmitters	115	14	7	12.5	6	N.A.	Included in Radio Apparatus & Parts, N.E.C.
T.V. Broadcast Transmitters	1	14	7	10	5	N.A.	Included in T.V. Apparatus & Parts, N.E.C.
Railway Signals & Attachments	1,144	12	6				
Electric Traffic Control Equipment & Parts, N.E.C.	581	12	6				
Electric Lighting Signal Apparatus, Marine Markers, Beacons, & Similar Lighting Signal Equipment, N.E.C.	130	12	6	8.5	4	924	Bells, Sirens, Indicator Panels, Burglar & Fire Alarms, & other Sound or Visual Signalling Apparatus & Parts
Electric & Electronic Alarm & Signal Systems	688	12	6				
Electric Gongs, Buzzers, Bells, & similar Sound Signal Equipment	32	12	6				

(2) Electrical Instruments and Apparatus were estimated at 25% of total category: Measuring, Checking, Analyzing or Automatically Controlling Instruments & Apparatus.

(3) Check "No Reduction Granted" section for U.S. Tariff Rates and U.S. Imports from E.E.C.

EXHIBIT 2

TABLE III

50% E.E.C. REDUCTION GRANTED - (Cont.)

(Add 000)

U.S. EXPORT CLASSIFICATIONS	U.S. EXPORTS TO E.E.C. 1967	E.E.C. TARIFF RATES PRE KENNEDY ROUND	E.E.C. TARIFF RATES FINAL RATE 1972	U.S. TARIFF RATES PRE KENNEDY ROUND	U.S. TARIFF RATES FINAL RATE 1972	U.S. IMPORTS FROM E.E.C. 1967	U.S. IMPORT CLASSIFICATIONS
Capacitors	7,669	14	7	12.5	10	4,494	Capacitors
Switches, N.E.C.	9,944	13	6.5				
Current Carrying Wiring Devices, N.E.C.	10,551	13	6.5	30	15	14,347	Electrical Apparatus for Making, Breaking, or for protection of Electrical Circuits; Switchboards (except Telephone Switchboards) and Control Panels & Parts
Electronic Type Receiving Tubes	2,152	15	7.5	12.5	6	4,929	Electronic Receiving Tubes (excl. Cathode Ray)
Cathode Ray T.V. Camera Tubes	268	14	7	12.5	6	51	Cathode Ray Tubes, N.E.C.
Cathode Ray Tubes, N.E.C. (excl. T.V. Picture Tubes)	162	15	7.5				
Electron Tubes, N.E.C., Transmitting, Industrial & Special Purpose	6,020	*	*	12.5	6	5,705	Electronic Tubes, N.E.C.
Gas & Vapor Electron Tubes	755	*	*				
* If a Rectifying Tube		16	8				
Other		15	7.5				
X-Ray Tubes, Valves, & Parts, N.E.C., Medical & Industrial	410	13	6.5	6.5	3	1,108	X-Ray Tubes & Parts

EXHIBIT 2

Medical & Dental X-Ray & Gamma Ray Equipment & Parts, N.E.C.	660	13	6.5	5.5	2.5	.10,878	X-Ray Apparatus & Parts, N.E.C.
Industrial & Scientific X-Ray Equipment, & Parts, N.E.C.	627	13	6.5	12	6	50	Apparatus based on the use of Radiation from Radioactive Substances & Parts
Electronic & Electric Organs	1,317	19	9.5	34	17	4,792	Electronic Organs
Dictation Recording Machines (1)	440 **	15	7.5	11.5	5.5	N.A.	(Included in a basket category with all Tape Recorders & Dictation Machines & Parts)
** Estimated							
Phonograph Records, Record Blanks, & Pre-Recorded Tapes	1,979	***	***	10	5	1,230	Phonograph Records
*** Blank Records		14	7	2¢****	1¢****	231	Recorded Magnetic Tape & Media other than Wire
Recorded Records		17	8.5				
Pre-Recorded Tape (not for film)		15	7.5	**** Sq. ft. of recording surface			
Recording Magnetic Tape & Wire	10,414	15	7.5	12	6	8	Blank Magnetic Recording Media

(1) See page

EXHIBIT 2

(1) Note: Parts for 85.15, Radiotelegraphic & Radiotelephonic Transmission and Reception Apparatus; Radio-Broadcasting & T.V. Transmission & Reception Apparatus, and T.V. Cameras, Radio Navigational Aid Apparatus, Radar Apparatus & Radio Remote Control Apparatus are classified in following manner by E.E.C. countries:

	PRE KENNEDY ROUND	FINAL RATE 1972
Cases & Cabinets of Wood	13	6.5
Cases & Cabinets, N.E.C.	16	8
Microstructures	18	17
Parts cut from the bar, of base metal, the greatest diameter of which does not exceed 25mm	18	9
Parts, N.E.C.	18	13

Parts for Sound Recorders & Reproducers are classified in the following manner:

Sound-heads and pick-ups; including parts	16	10.5
Needles	10	5
Other		
Parts cut from the bar, of base metal, the greatest diameter of which does not exceed 25mm	14	7
Parts, N.E.C.	14	9

EXHIBIT 2

PART II

TOTAL E.E.C. IMPORT CHARGES

EXHIBIT 2

Tariffs are one form of cash charges levied against imports into the member countries of the E.E.C. Among other charges are non-cumulative and neutral turnover taxes and a variety of excise duties.

These indirect taxes are operated on the "country of destination principle;" that is, the taxes are refunded on exports but imports are subject to payment.

As explained by Mr. Johannes Jansen, head of the Indirect Taxation Division, Commission of the European Communities:

> "Turnover taxes are taxes on consumption: they are added to the price of taxable products. They are levied according to the "country of destination principle." This means that exported goods are exempted from turnover tax and the tax already paid is reimbursed. On the other hand, imported commodities have to be taxed in the same way as similar domestic products." *

* * *

> "Because the "country-of-destination principle" also applies to excise duties, there is, as with turnover taxes, a duty refund on exports and a duty on imports." **

In addition to the taxes, there are a variety of fees, varying from country to country, which are applicable against U.S. imports. Among these fees are statistical charges, stamp taxes, administrative payments and import taxes.

Table IV, page 23, illustrates the taxes and other fees levied against U.S. imports by the individual countries comprising the E.E.C.

A study of Table IV shows the wide range and disparity of these cash charges within and between the different countries. Readers are particularly urged to note that with the exception of Luxembourg's 3.0% import tax, all other "frontier" taxes are levied against the Cost, Insurance, Freight (C.I.F.) duty paid total of an imported product.

In the case of imports into the U.S., there is only one cash charge; the duty on the F.O.B. value.

* (1) Johannes Jansen, Tax Harmonization in the Community in European Community, January, 1968.

**(2) Johannes Jansen, Introducing a Uniform A.V.T. Rate, in European Community, March, 1968.

EXHIBIT 2

Table V relates the total disparity between the lower U.S. and the higher landed costs in the member countries of the E.E.C.

Five random products representing different sectors of the electronics industry are presented. The point in time for the landed costs in the E.E.C. is July 1, 1968, the date the Common External Tariff goes into effect. The presented cost of imports into the U.S. has been effective as of January 1, 1968, the date the U.S. made the first of the Kennedy Round 5 stage - 5 year reductions. (See Table V, pages 24-25.) *

The differentials shown in Table V between the landed costs in the U.S. and the E.E.C. are, of course, substantial and significant.

There are a variety of reasons for these landed cost differentials which favor the E.E.C.

1. In the "Selective Electronic Products and Related Items" area, present individual country tariff rates and the future C.X.T. are and will continue for a five year period to be generally higher than those of the U.S.

2. The U.S. duty is levied against the cost of the product (F.O.B.); the E.E.C. against the product, insurance, freight (C.I.F.).

3. Each of the member countries of the E.E.C. applies its turnover taxes against the C.I.F. duty paid total.

4. With the exception of Germany and Luxembourg the incidence of the "turnover" taxes varies according to the nature of the product. The pattern followed is almost constant. The incidence of the "turnover" rises on consumer type and those products subject to rapid technological innovation and development. Turnover in the above statement was put in gratis to qualify Italy's approach for adhering to the mentioned pattern. Italy holds the turnover tax at 4.0% and then "adjusts" with a varied rate structure of an additional compensatory import tax and in the case of consumer products with additional taxes levied against the C.I.F., Duty, Turnover Tax and Compensatory Import Tax paid total!

5. Luxembourg, France and Italy impose further taxes or other charges. (Table IV).

* See Marketing Guide Sheets, pages 28 through 111 for detailed country by country tariff and taxes for individual products.

EXHIBIT 2

The question immediately occurs as to whether the various indirect taxes are used as discriminatory measures against foreign competition.

Mr. Johannes Jansen, a spokesman for the Community answers the question for U.S. exporters in the context of intra-E.E.C. trade:

> "Accordingly, when the customs union in the Community is achieved on July 1, 1968, trade between the member countries will be free of customs duties, but will nevertheless still come up against tax frontiers at which indirect taxes will be levied and be reimbursed, and physical controls carried out.
>
> It is not surprising therefore that the Treaty gives prime consideration to the compensatory measures for indirect taxes applied at the frontier to intra-Community trade in goods. For export-drawbacks and import-equalization taxes can easily be used for purposes incompatible with one of the main objectives of the Common Market, namely free, undistorted competition. For instance, if the compensatory tax levied on imports is higher than the tax on comparable home-produced goods, the difference has the same protective effect as the customs duties that are being abolished. On the other hand, if the drawback on exports is too high, then the difference is tantamount to an export subsidy, which is prohibited.
>
> In order to guard against these forbidden forms of discrimination, Articles 95 and 96 stipulate that the indirect tax on imports must not be higher than that which would be charged on similar domestic goods, and that the drawback on exports must not exceed the amount of tax actually paid. This sounds very simple. But experience has shown that these prohibitions are very difficult to enforce properly in the Common Market, at least as far as turnover taxes are concerned." *

* * *

The E.E.C. turnover taxes, which afford a wide variety of discriminatory practices in foreign trade, are presently in a transitional stage.

On February 9, 1967, the E.E.C. Council of Ministers adopted a unified turnover tax called the value added tax (T.V.A.).

* ibid (1) page
  Articles 95-96, reference to Rome Treaty.

EXHIBIT 2

The value added tax may be described as an overall and nonrecurrent tax on consumption, the levy of which is made by partial payments in each state of production and distribution on the basis of the value which is added to the product in each stage.

The T.V.A. will replace the cumulative turnover tax system previously used by the E.E.C. member countries. T.V.A. will be applied by all member countries of the E.E.C. not later than January 1, 1970. Germany and France (modified form) are presently operating under this new tax system. The Netherlands and Belgium will introduce the change on January 1, 1969; Italy and Luxembourg probably not before January, 1970.

Will the T.V.A. offer some relief from the discriminatory practices against imports possible under the old turnover tax systems?

In the opinion of the M.S.D. International Data staff, the possibility of such relief is remote. The "why" of this opinion may be adjudged by an examination of a written commentary by the previously quoted Mr. Jansen.

> "T.V.A., the European Community's common turnover tax system, will be in force throughout the six member countries by January 1, 1970; but tax harmonization will not be finished, because the common system still leaves many choices in the hands of the individual governments.
>
> The first two Community T.V.A. directives require the member governments to apply T.V A. to only a small part of the service sector. Depending on each country's own possibilities for collecting T.V.A., it may work out its own provisions for small business and may decide for itself whether or not to apply the tax to retail trade and to the many services not connected with production and distribution of goods, such as banking, physicians' fees, and other services normally supplied to private individuals. Only a few services that have a direct bearing on production and distribution must become subject to the common T.V.A., among them, the transfer of patents and trade marks, advertising and the transport and storage of goods.
>
> Of all the choices left to the member governments, however, the selection of tax rates and the granting of exemptions give the most room for disparities in the first phase of turnover tax harmonization.
>
> Even after January 1, 1970, considerable differences will persist between the six countries in both the standard rates and the higher or lower rates levied on specific goods or services. It is too early to make precise forecasts of what the normal rate will be in any of the Six on January 1, 1970, but I would guess they would be roughly 20 per cent in France and Belgium, between 10 per cent and 12 per cent in the Netherlands, Italy, and the Federal Republic of Germany, and 9 per cent in Luxembourg.

EXHIBIT 2

In areas where harmonization need not yet be applied, the member countries are entitled to provide their own national regulations. After consulting the Commission and the other five countries, one member country may decide, for instance, to disallow some or all tax deductions for expenditures on capital goods or to allow deductions on this equipment by annual installments only, when economic considerations warrant such action. During a transitional period after the introduction of T.V.A., even without prior consultations, member countries may restrict deductions for capital goods. Germany has already done so in its new T.V.A. law that came into force on January 1 this year, on budgetary grounds. The German restrictions were also intended to prevent a temporary halt of investments prior to the introduction of the T.V.A." *

The special rates, exemptions and options, which still leave room for disparities are more than adequately stated.

"Under the new T.V.A. system, as long as each Community member applies a different rate, set at a level that maintains the total incidence of the preceding cumulative turnover tax, U.S. exports to these countries will be taxed at exactly the same amount as similar goods produced in those countries. In cascade system countries where compensatory taxes on imports were too low imports will lose their unwarranted competitive advantage upon the introduction of T.V.A. Conversely, exports from those E.E.C. countries to the United States and other nonmember countries will lose the competitive disadvantage from which they may have suffered because the cascade system gave them an inadequate rebate. Competitive conditions will also be equalized in trade between the E.E.C. countries themselves." *

The idea of U.S. exports being taxed a exactly the same amount as similar goods produced in the E.E.C. under the old turnover tax system or under the new T.V.A. has been and remains an economic myth consistently perpetuated by the E.E.C.

As an example:

If the T.V.A. rate is 15.0%, the total tax paid on a domestically produced goods worth $1,000 is $150.

\- - -

If the same 15.0% T.V.A. is applied against an import worth $1,000 - shipped and insured at $60 - and enters at a 15.0% duty rate, the T.V.A. is $182.50.

* * *

* Johannes Jansen, T.V.A. 1970 and Beyond, in European Community, April, 1968.

EXHIBIT 2

Sometime after January 1, 1970 - at a date as yet unannounced - the E.E.C. will harmonize at a common rate. Mr. Jansen makes this comment:

> "Nothing yet is definite, of course, on the level of the common rate, but it could conceivably be fixed at around 15.0%." *

This conceivable rate of 15.0% warrants an examination. By averaging out the total imports costs of the E.E.C. countries as of July 1, 1968 and theoretically exporting to the Six at a common rate, the total landed cost on a $1,000 worth of semiconductors would be $1,369.61.

If the same shipment were made after January 1, 1972 against a common 15.0% T.V.A., the total landed cost would be $1,426.23.

* Johannes Janse, T.V.A. 1970 and Beyond, in European Community, April, 1968.

EXHIBIT 2

TABLE IV

COMPARATIVE E.E.C. IMPORT TAXES

BELGIUM	LUXEMBOURG	FRANCE	GERMANY	ITALY	NETHERLANDS
Transmission Tax of from 7 - 30% on C.I.F. duty paid value.	3% Import Tax on all products on F.O.B. Luxembourg value.	1% Statistical Charge on all products on C.I.F. value.	11% T.V.A. Tax on all products on C.I.F. duty paid.	Administrative Fee of 0.5% on all products on C.I.F. value.	Turnover Tax of from 9.4 - 28.4% on C.I.F. Duty paid value.
	3% Turnover Tax on all products on the duty & tax-paid value.	2% Stamp Tax on all products on the amount of duty paid.		4% Turnover Tax on all products (1) on C.I.F. duty & Administrative Fee paid.	
		T.V.A. Tax of from 16.66 to 20% on C.I.F. duty & tax-paid value.		Compensatory Import Tax, of from 4.8 - 7.8% on C.I.F. Duty Administrative Fee paid.	
				Additional taxes of 5% on C.I.F. Duty Tax paid total on Radios, T.V.'s & Combinations.	
				And 10% C.I.F. Duty-tax Paid Total on Phonograph Records and other Sound Recording Media.	

(1) The Turnover Tax on items under 85.01 which are used for Agricultural purposes is 3.3%.

EXHIBIT 2

TABLE V - COMPARATIVE

(EFFECTIVE AS

	UNITED STATES	BELGIUM	LUXEMBOURG
Television Receivers (including combinations)	F.O.B. $1,000.00 Duty 90.00 Insurance & Freight 60.00 Total Landed Cost $1,150.00	C.I.F. $1,060.00 Duty 199.28 Tax 377.78 Total Landed Cost $1,637.06	C.I.F. $1,060.00 Duty 199.28 Taxes 68.68 Total Landed Cost $1,327.96
Tape Recorders	F.O.B. $1,000.00 Duty 100.00 Insurance & Freight 60.00 Total Landed Cost $1,160.00	Home: C.I.F. $1,060.00 Duty 118.72 Tax 341.83 Total Landed Cost $1,520.55 Industrial (including Dictation Machines): C.I.F. $1,060.00 Duty 118.72 Tax 153.23 Total Landed Cost $1,331.95	C.I.F. $1,060.00 Duty 118.72 Taxes 66.26 Total Landed Cost $1,244.98
Radio Remote Control Apparatus; Radio Navigational Aid Apparatus; & Radar	F.O.B. $1,000.00 Duty 130.00 Insurance & Freight 60.00 Total Landed Cost $1,190.00	C.I.F. $1,060.00 Duty 125.08 Tax 82.96 Total Landed Cost $1,268.04	C.I.F. $1,060.00 Duty 125.08 Taxes 66.45 Total Landed Cost $1,251.53

(1) See following page.

EXHIBIT 2

IMPORT COSTS[1]

OF JULY 1, 1968)

FRANCE		GERMANY		ITALY		NETHERLANDS	
						Home:	
C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00
Duty	199.28	Duty	199.28	Duty	199.28	Duty	199.28
Taxes	257.92	Tax	138.52	Taxes	209.27	Tax	357.64
Total Landed Cost	$1,517.20	Total Landed Cost	$1,397.80	Total Landed Cost	$1,468.55	Total Landed Cost	$1,616.92
						Industrial:	
						C.I.F.	$1,060.00
						Duty	199.28
						Tax	118.37
						Total Landed Cost	$1,377.65

						Electrical:	
C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00
Duty	118.72	Duty	118.72	Duty	118.72	Duty	118.72
Taxes	239.86	Tax	129.66	Taxes	130.81	Tax	252.25
Total Landed Cost	$1,418.58	Total Landed Cost	$1,308.38	Total Landed Cost	$1,309.53	Total Landed Cost	$1,430.97
						Non-electrical:	
						C.I.F.	$1,060.00
						Duty	118.72
						Tax	110.80
						Total Landed Cost	$1,289.52

C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00
Duty	125.08	Duty	125.08	Duty	125.08	Duty	125.08
Taxes	201.59	Taxes	130.36	Taxes	131.49	Tax	111.40
Total Landed Cost	$1,386.67	Total Landed Cost	$1,315.44	Total Landed Cost	$1,316.57	Total Landed	$1,296.48

EXHIBIT 2

TABLE V - COMPARATIVE

(EFFECTIVE AS

	UNITED STATES		BELGIUM		LUXEMBOURG	
Fixed Capacitors	F.O.B.	$1,000.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00
	Duty	120.00	Duty	118.72	Duty	118.72
	Insurance & Freight	60.00	Tax	165.02	Taxes	66.26
	Total Landed Cost	$1,180.00	Total Landed Cost	$1,343.74	Total Landed Cost	$1,244.98
Semiconductors	F.O.B.	$1,000.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00
	Duty	110.00	Duty	180.20	Duty	180.20
	Insurance & Freight	60.00	Tax	86.81	Taxes	68.11
	Total Landed Cost	$1,170.00	Total Landed Cost	$1,327.01	Total Landed Cost	$1,308.31

(1) Costs are figured on a shipment value of $1,000.00, on which insurance and freight amount to $60.00. The combined freight and insurance cost was calculated at 6% of value as estimated in a report by the Tariff Commission on "C.I.F. Value of U.S. Imports."

EXHIBIT 2

I M P O R T   C O S T S (1) - (Cont.)

OF JULY 1, 1968)

FRANCE		GERMANY		ITALY		NETHERLANDS	
C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00
Duty	118.72	Duty	118.72	Duty	118.72	Duty	118.72
Taxes	239.86	Taxes	129.66	Taxes	130.81	Tax	124.93
Total Landed Cost	$1,418.58	Total Landed Cost	$1,308.38	Total Landed Cost	$1,309.53	Total Landed Cost	$1,303.65

C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00	C.I.F.	$1,060.00
Duty	180.20	Duty	180.20	Duty	180.20	Duty	180.20
Taxes	253.63	Tax	136.42	Taxes	114.90	Tax	116.58
Total Landed Cost	$1,493.83	Total Landed Cost	$1,376.62	Total Landed Cost	$1,355.10	Total Landed Cost	$1,356.78

EXHIBIT 3

THE NEED FOR REFORM IN THE ANTIDUMPING ACT TO PREVENT UNFAIR PRACTICES IN THE IMPORT TRADE

The Antidumping Act, in its administration, has been substantially ineffective in checking unfair practices in the pricing of foreign merchandise for export to the United States.

The Congress has, we believe, in the enactment of the Antidumping Act, granted sufficient authority to the Bureau of Customs to enforce the rules for fair trade practices in our import trade. Due, in part, however, to the pervasive influence of the concept of a total foreign economic policy fostered within the Executive Branch of the Government, our antidumping laws have suffered in their administration to a degree that has made them inefficient instruments for suppressing the development of unfair trade practices in the import trade of the United States.

The principal problem areas requiring attention are as hereinafter described.

Disclosure of information filed by foreign exporters in antidumping investigations is now being significantly immunized from disclosure through the arbitrary use by foreign exporters of the "confidential" classification.

The Customs Regulations provide at Sec. 14.6a(a) that in general all information obtained by the Bureau of Customs in an antidumping proceeding will be available for inspection or copying by any

EXHIBIT 3

interested person. Sec. 14.6a(b) permits persons submitting information to request that it, or part of it, be kept confidential. But Sec. 14a(c) of the Regulations states at paragraph (2) that information relating to price information, allowances for quantity purchases, and to claimed differences in circumstances of sale "will ordinarily be regarded as appropriate for disclosure."

In practice, however, the foreign manufacturers of imported merchandise subject to investigation under the Antidumping Act label all information submitted to the Bureau of Customs in an antidumping proceeding as "confidential." The Bureau, in administering this provision of the Act, then "negotiates" with the foreign manufacturers to obtain their compliance with this provision of our laws. Such a practice is hardly conducive to a fair and effective administration of the Act which Congress intended as an instrument for the removal of unfair practices in our import trade.

Failure of the Treasury Department to base its "fair value" determinations in antidumping proceedings upon the "foreign value" of the imported merchandise as defined in the Tariff Act of 1930 is contrary to the intent of Congress.

The Antidumping Act [Sec. 160(a)] specifies that the basic finding to be made by the Secretary of the Treasury (based on information submitted to him by the Bureau of Customs) is whether the imported merchandise "is being, or is likely to be, sold in the United States

EXHIBIT 3

or elsewhere at less than its fair value." The term "fair value" itself is not defined in the Antidumping Act. Prior to the 1958 amendment of the Antidumping Act, and the resulting amendment of the Customs Regulations for antidumping investigations, the Secretary of the Treasury, with subsequent court approval, had by regulation defined "fair value" as equivalent to "foreign market value." *Kleberg & Co. Inc.* v. *United States*, 21 C.C.P.A. 110 (Court of Customs and Patent Appeals, 1933).

Legislative actions related to the Antidumping Act and the above-mentioned definition of fair value strongly indicate that Congress understood that "fair value" and "foreign value" in the Tariff Act and "foreign market value" as defined in the Antidumping Act for purposes of measuring the amount of dumping duties to be imposed after other precedent determinations were made, were to all intents and purposes identical.

The first evidence of this is offered by the report of the Senate Finance Committee on the Customs Simplification Act of 1954. It quoted a letter from the Assistant Secretary of the Treasury stating, among other things, that

> "There is great difficulty, under the existing statute and decisions construing it, in giving proper effect to the law in cases where the home market of the country in which the dumping originates is to any extent restricted in the way in which the commodity is offered for sale." (S. Rep. 2326, 83d Cong., p. 4)

EXHIBIT 3

Restrictions on sale refer to *foreign value* for customs purposes, which cannot be based upon other than prices which are freely offered to all purchasers at wholesale. This comment by the Treasury Department, reported by the Committee, ties "fair value" to "foreign value" for customs purposes.

Next, the report of the Ways and Means Committee of the House of Representatives on the Customs Simplification Act of 1955 directs attention to fears expressed that the repeal of *foreign value* as a primary customs valuation base would, by eliminating up-to-date information as to foreign values, weaken the enforcement of the Antidumping Act.

The significance of these expressed fears, referred to by the Committee, lies in the identification of *foreign value* for customs purposes as the measure of *fair value*. The Committee stated:

> "Your committee considered carefully the effect of the adoption of this bill on the enforcement of the Antidumping Act, 1921. The committee has been assured by the Treasury Department that there will be no weakening in the enforcement of that act. The Secretary of the Treasury has written to the committee stating the intention of the Bureau of Customs and the Department of the Treasury to continue to obtain the information on customs invoices necessary for such enforcement." (H. Rep. 858, 84th Cong., p. 5)

EXHIBIT 3

The Committee quoted the Secretary's letter, which included the statement:

> "it is the firm intention of the Bureau of Customs and the Treasury Department to continue to require foreign value information as part of the information contained in customs invoices. Consequently, the Treasury Department will continue to have available to it foreign value information upon which to initiate investigation of possible sales at a dumping price *wherever the discrepancy between invoice price and foreign value appears to warrant it*." (Emphasis added) (H. Rep. 858, 84th Cong., p. 5)

The Senate Finance Committee in subsequently reporting the Customs Simplification Act of 1956 took up the same topic, and stated in its report:

> "The Secretary of the Treasury has indicated that foreign value information would continue to be required on customs invoices made out by exporters. The Treasury would thereby continue to have available the information needed to initiate full-scale investigations whenever dumping was indicated." (S. Rep. 2560, 84th Cong., p. 4)

At this point, there could be little doubt that both Treasury and the cognizant committees of Congress understood that "foreign value" as defined for customs valuation purposes was the touchstone of fair value.

At that time, i.e., prior to the 1958 amendments to the Antidumping Act, both "foreign market value" as defined in the Antidumping Act and "foreign value" as defined in the Tariff Act of 1930 included the requirement that the prices used to establish value in the home market be those prices at which the merchandise was "sold or freely offered for sale to all purchasers" in wholesale quantities.

EXHIBIT 3

The courts had held that prices on transactions which restricted the use or territory in which the merchandise could be resold, or resale of the merchandise, were not "freely offered to all purchasers" and, hence, could not be used as a basis for home market value dtermination. Further, a price that was available to some purchasers, but not to all purchasers (as, e.g., a price restricted to manufacturers who used the merchandise in their manufacturing operations but who did not resell it), was not "freely offered to all purchasers."

Under the Antidumping Act, if freely offered home market prices were not available, freely offered prices in sales to third country purchasers were required to be used. These might have been lower than the restricted home market sales. Foreign producers could thus immunize their home market prices from use for dumping comparisons, and set their third market prices at the same level as sales to the United States.

Congress had dealt with a similar problem in regard to "foreign value" for customs purposes in the Customs Simplification Act of 1956. It eliminated the use of "foreign value" as the primary customs valuation base for all articles except those named on the Final List (articles where the Secretary of the Treasury found that change of the value rules would have the effect of reducing duties by 5% or more). It also defined the phrase "freely sold or, in the absence

EXHIBIT 3

of sales, offered for sale" as *either* the price at which the merchandise was sold to *all* purchasers at wholesale, *or* "in the ordinary course of trade to one or more *selected* purchasers at wholesale at a price which *fairly reflects the market value of* the merchandise without restrictions as to the disposition or use of the merchandise by the purchaser" except such restrictions as do not "substantially affect the value of the merchandise to usual purchasers at wholesale." (Emphasis added.)

In 1958, Congress amended the Antidumping Act by redefining "foreign market value" to substitute the words "sold or, in the absence of sales, offered for sale" for "sold or *freely* offered for sale to all purchasers." It also defined the phrase "sold or, in the absence of sales, offered for sale" in virtually the identical words it had used in defining "*freely* sold, or, in the absence of sales, offered for sale" in the Customs Simplification Act of 1956.

The definition in the Antidumping Act emphasized, however, that if the price used for home market value was accompanied by restrictions which affected the value of the merchandise, the Secretary was to make an adjustment in value to eliminate the effect of the restriction. Thus, the definition states:

> "The term 'sold or, in the absence of sales, offered for sale' means sold or, in the absence of sales, offered -
>
> (A) to all purchasers at wholesale, or
>
> (B) in the ordinary course of trade to one or more selected purchasers at wholesale *at a price which fairly reflects the market value of the merchandise,*

EXHIBIT 3

> without regard to restrictions as to the disposition or use of the merchandise by the purchaser except that, *where such restrictions are found to affect the market value of the merchandise, adjustment shall be made therefor* in calculating the price at which the merchandise is sold or offered for sale." (19 U.S.C. 170a(1)) (Emphasis added.)

It is important to remember that the 1958 amendments to the Antidumping Act were submitted to Congress by the Secretary of the Treasury in obedience to a directive contained in the Customs Simplification Act of 1956 to recommend any amendments "which he considers desirable or necessary to provide for greater certainty, speed, and efficiency in the enforcement of such Antidumping Act." (Sec. 5, P.L. 927, 83d Congress)

One must recall also that Congress placed that directive in the 1956 Act to allay the fears that had been expressed that the elimination of "foreign value" as the primary customs valuation base would weaken the enforcement of the Antidumping Act because "foreign value" was essentially the same as "fair value" which would still be the base of comparison of home market and export prices to determine if a margin of dumping exists.

The purpose of the 1958 amendments to the Antidumping Act was, as stated by the Assistant Secretary of the Treasury in explaining them to the Senate Finance Committee, to materially strengthen the power of Treasury to move against dumping (Hearings on H. R. 6006, March 1958,

EXHIBIT 3

p. 37) by, among other things, putting an end to the situation where the inability to use home market sales prices because of restrictions prevented findings of dumping and the imposition of dumping duties. (*Ibid.*, pp. 23, 24.)

It certainly would be contrary to the origin and purpose of the 1958 amendments to administer the Antidumping Act in a way which eliminated higher "foreign value" prices, in fact available for use under the meaning of that term in customs law, and to use in their stead selected lower home market prices not available to all purchasers without making adjustments in the price which would fairly reflect the market value of the merchandise without the restrictions, and so eliminate dumping margins. This interpretation of the 1958 amendments is borne out by the following remark included in the testimony of the Assistant Secretary of the Treasury before the Senate Finance Committee:

> "Going back to the 1921 law, we have said that the standard for calculating dumping duties was typically the exporter's home price. If that price was higher than the price to the United States, the difference was the dumping duty. Now, the effect of a restriction such as limiting resale to a geographic area is, if anything, to reduce the value of the article in the purchaser's hands. Does it make sense to say that when such a restriction is placed on home sales, the standard for dumping duty should instead be an even lower third country price? We do not think it does. We do not think that such would have been the intention of Congress when it enacted the 1921 legislation." (*Ibid.*, p. 23)

EXHIBIT 3

The Congress took the Treasury Department at its word in approving the Antidumping Act amendments. In reporting the bill which became law, the Senate Finance Committee stated:

> "A principal change in the Antidumping Act of 1921 as amended which would be made by H. R. 6006 involves amendment of the definition of 'foreign market value' in section 205 of the act so as to permit the use of prices in 'restricted' sales in the determination of foreign market value. This amendment would bring the definition of 'foreign market value' into conformity with the definition of 'fair value' in the Treasury regulations. The amendment would be advantageous to the administration of the act because, with the disparity in the definitions of 'foreign market value' and 'fair value' that now exists, imported merchandise may be found to be sold below fair value to the injury of domestic industries but no antidumping duties may be chargeable. *Such a situation can arise, for example, where the exclusion of a higher home market price as a basis for foreign market value requires reference to third country prices and where such prices are the same as or lower than the prices at which such or similar merchandise is sold to the United States."*
> (S. Rep. 1619, 85th Cong., May 21, 1958) (Emphasis added.)

There is no basis in the legislative history for believing that Congress understood or intended that the 1958 amendments would be used as a basis for ignoring freely offered home market prices, acceptable as a basis for customs valuation under the definition of foreign value, which are higher than the export prices to the United States, and selecting restricted prices which are lower, and which eliminate the margin of dumping. Congress understood that the amendments were protective. The Senate Finance Committee stated:

EXHIBIT 3

"The antidumping feature of our Tariff Act is of considerable importance in protecting domestic industries from inroads of foreign goods or offered for sale at less than fair value. Not only will the improvements made by this bill assist in speeding up the operating procedure, *they will strengthen the deterrent effect of the law and in that respect help to prevent dumping.*" (*Ibid.*) (Emphasis added.)

The practice of the Treasury Department in adjusting the home market price used as a basis for "fair value" by differences in circumstances of sale is of questionable validity.

There appears to be no authority in the Antidumping Act for the Bureau of Customs to make adjustments in the home market price for differences in the circumstances of sale. The Act, at Sec. 202(a) [19 U.S.C. 161(a)], authorizes adjustments in price for differences in quantity or other differences in circumstances of sale *only* in the calculation of the *amount* of dumping duties to be imposed in respect to each importation *after* there has been a determination of dumping by the Secretary of the Treasury (and of injury by the Tariff Commission). It seems significant that this authority is not incorporated specifically or by reference in the definition of foreign market value, purchase price, or exporter's sales price.

The Treasury Department has assumed the power to transfer the authority to make such adjustments from the final stage of calculating dumping duties on imports to the first stage of the investigation, where it serves principally as a means of explaining away margins of dumping which are otherwise shown by the data to exist. Thus the provision

EXHIBIT 3

in the Customs Regulations [Sec. 14.7(b)] specifying that in comparing the prices on which a determination of sales below fair value is being considered, "reasonable allowances will be made for bona fide differences in circumstances of sale," has no basis in the Antidumping Act itself.

Congress certainly did not understand that the Secretary's authority to make adjustments for differences in quantity or in circumstances of sale applied to anything but the calculation of dumping duties. The Senate Finance Committee conveyed its understanding by stating in its report on the bill which was enacted into law that:

> "Another amendment in the definitions *relating to assessment of dumping duties* is designed to make appropriate comparisons between the price at which imported merchandise is sold to American purchasers and the price at which such or similar merchandise is sold by the foreign producers or exporters elsewhere despite minor dissimilarities between the merchandise and the differences in the terms or circumstances of the sale." (S. Rep. 1619, 85th Cong., May 21, 1958) (Emphasis added)

Accordingly, it is submitted that the Bureau of Customs is proceeding improperly if it fails or refuses to make a determination of dumping on the basis that differences in the circumstances of sale call for adjustments which eliminate the margin of dumping disclosed by a comparison of the home market and export prices.

EXHIBIT 3

The Treasury Department Should At Least Limit These Questionable Adjustments In The Home Market Price Used As A Basis For "Fair Value" To Those Established By Credible Evidence To Be Due To Differences in Circumstances Of Sale.

The Bureau of Customs, in its administration of the questionable provisions of the Customs Regulations permitting allowances for differences in circumstances of sale, has made adjustments in the home market price in its antidumping investigations for a number of alleged differences in circumstances of sale. Typical of these are (1) costs of warranty on home market sales; (2) differences in credit costs; (3) differences in the cost of technical services; (4) differences in branding costs; and (5) selling commissions on home market sales. An examination of the manner in which these adjustments have been made discloses a real need for reform in the procedures followed by the Bureau in making these determinations if the intent of Congress expressed in the Antidumping Act to prevent unfair practices in our import trade is to be carried out.

Adjustments To Reflect Cost of Warranty on Home Market Sales

In making adjustments to the home market price to reflect the cost of warranty on home market sales, the Bureau of Customs, we have been informed, relies primarily upon information supplied by the foreign manufacturers of the merchandise in question as to the

EXHIBIT 3

existence of a warranty on home market sales, the cost of such warranty and the nonexistence of a comparable warranty on export sales to the United States.

Furthermore, we understand that Customs takes no steps to inquire of the U. S. importers of the merchandise (whose identity is, of course, known to the Bureau of Customs and whose response must be truthful under pain of criminal liability) whether their purchases were on terms, written or implied, which include the right to make returns for credit of defective merchandise or to be given credit for defective merchandise whether or not returns are made.

Apparently, the only "independent" investigation made is that of the Treasury agents in the field, which consists simply of the Treasury representatives' asking questions and recording the answers of the foreign manufacturers which, of course, are not under oath.

Such an investigation is not an investigation at all, but merely a mechanism to formalize the self-serving statements of foreign producers who are under absolutely no penal inhibitions in explaining away dumping margins by using a variety of fictional or incompletely stated responses to questions put to them by a few Treasury representatives whose duties permit only limited attention to their preparation for and conduct of the field interviews.

EXHIBIT 3

There is still another aspect of the handling of this type of adjustment by Customs which seems contrary to the intention of Congress. We are informed that, after calculating an average cost per unit of the warranty in the home market, Customs automatically deducts that amount from the home market price for purposes of comparison with the export price. This is done under a claim of authority in the regulations to do so, where, under Sec. 14.7(b)(2), "warranties" are mentioned as an example of differences in circumstances of sale for which "such allowances" will be made in calculating the "fair value" of merchandise.

The "such" in "such allowances" refers, however, to the lead sentence of the subsection, which states that "*reasonable* allowances will be made for bona fide differences in circumstances of sale *if it is established to the satisfaction of the Secretary that the amount of any price differential is wholly or partly due to such differences.*" (Emphasis added.)

The words in italics impose two requirements before an adjustment in price may be made: the adjustment must be *reasonable*, which certainly implies that an allowance is not *automatically* or *necessarily* to be made by the full arithmetical difference of the so-called warranty (the volume of returns in the home market on which the allowance was calculated might have been due to defective manufacturing procedures on certain lots which were not involved in the

EXHIBIT 3

production for export, for example); and, more importantly, an adjustment is to be made *only if* the Secretary determines that the amount of price differential was due, at least in part, to the difference in warranty policy on home market sales versus those for export.

Customs personnel have no right to assume the existence of any fact, the proof of which is required as a condition precedent to the making of an allowance which would excuse or explain away the margin of dumping revealed by a comparison of the actual prices themselves.

We believe that the practice of making adjustments in the home market price because of a claimed difference in warranty at the stage where the Commissioner of Customs is making his initial determination of whether reasonable grounds exist to believe or suspect that the merchandise is being, or likely to be, sold at less than its foreign market value, is contrary to the Antidumping Act which authorizes such adjustments *only* at the time dumping duties are being assessed, *after* the findings of dumping and injury have been made.

But even if authority to make such adjustments is deemed to exist at the stage of the determination that reasonable grounds exist to believe or suspect that the merchandise is being dumped, the words of the statute control the nature and extent of such authority.

EXHIBIT 3

They clearly limit the adjustments to those where it is established to the satisfaction of the Secretary or his delegate that the amount of any difference between the export price and the home market price *is wholly or partly due to* differences in circumstances of sale, at which point, as stated in the statute, *due* allowance shall be made therefor. Sec. 202, Antidumping Act, 19 U.S.C. 161. There is simply no basis whatever for Customs to *assume* what the statute requires to be proven to the satisfaction of the Secretary or his delegate, nor for adjustments to be made which exceed a "due allowance" under the circumstances.

Adjustments To Reflect
Differences in Credit Costs

We have been informed that the Bureau of Customs makes adjustments to reflect differences in credit costs when sales for export to the United States are on a cash (letter of credit prior to shipment) basis and home market sales are on credit terms. Apparently, a calculation is made of the credit cost per day to the foreign manufacturer and an adjustment is made in the home market price by applying this factor to the full amount of the invoice price on the volume of merchandise sold in the home market.

It is well known that most foreign manufacturing economies operate to a large degree on credit; not only is the manufacturer *extending credit* to his customers in the form of extended payment terms,

EXHIBIT 3

but also he is *receiving credit* from his suppliers in equal degree. He certainly incurs no credit *costs* on the materials purchases. The selling price also includes an element for profit, and there can obviously be no *cost* to the manufacturer in respect of the delayed receipt of the profit increment of the selling price.

At most, the *cost* of the credit extended to the home market would be the wage increment of manufacturing costs included in the price. Customs has no data establishing what this portion is, nor that the manufacturer incurs an interest cost equal to the going rate of interest applied to the full selling price of the home market sales. Once again, Customs appears to have *assumed* the existence of proof which the law and regulations contemplate the foreign producer is required to supply.

The procedure being followed on this adjustment is subject to all the vices of that discussed above for warranties. No proof has been developed to support a determination by Customs *that the difference in price is due in whole or part to differences in credit terms.* No proof has been developed upon which a determination could be based *as to the amount of a "due allowance"* in price comparison in respect of credit differences, even assuming such an allowance in some amount is proper. The making of such an allowance, in any event, at this stage of the investigation is improper, since the Antidumping Act provides for such an allowance only at the time dumping duties are being assessed.

EXHIBIT 3

Adjustments To Reflect Differences in Branding Costs

Apparently, the Bureau of Customs makes adjustments in the home market price for the difference in cost represented by branding of merchandise sold in the home market where the foreign manufacturer claims that its merchandise sold in the home market is branded, whereas its merchandise for export is unbranded.

The making of an allowance for branding is subject to all of the vices discussed in the preceding sections: the Bureau has no evidence that the difference in price between home market and export sales is due in any degree to the alleged difference in branding; nor does it possess information to support a determination of what a "due allowance" (as distinguished from the automatic full credit given for the claimed difference in cost) would be for such difference. The allowance is made improperly at a stage not authorized by the statute.

There is a further defect in the Bureau's procedure on this allowance, and that is that the Bureau's own regulations do not permit or contemplate such an allowance. Sec. 14.7(b)(2)(ii) states that "allowances generally will not be made for differences in * * * production costs" and the cost of branding would seem clearly to be a production cost.

EXHIBIT 3

It might be claimed that the branding cost is not a difference in the "circumstances of sale" (to which the cited subsection pertains), but rather refers to differences in the merchandise which make the imported merchandise "similar" rather than "such" merchandise as that sold in the home market.

The same section of the Antidumping Act, as amended in 1958, which permits "due allowance" for differences in circumstances of sale *in the assessment of dumping duties* (after the findings of dumping and of injury have been made) found by the Secretary or his delegate to be wholly or partly the cause of the difference in price in home market versus export sales, also permits "due allowance" for the fact that the merchandise exported is "similar" rather than "such" merchandise as that sold in the home market *if* the Secretary or his delegate have *proof which establishes* to his satisfaction that the difference in price is wholly or partly due to the difference in the merchandise.

The Customs Regulations at Sec. 14.7(b)(3) are quite specific that in making "due allowance" for differences in the merchandise, the Secretary "will be guided primarily by the effect of such differences upon the market value of the merchandise but, when appropriate, he may also consider differences in cost of manufacture if it is established to his satisfaction that the amount of any price differential is wholly or partly due to such differences."

EXHIBIT 3

Here the Bureau's people *assume* that the existence of differences in cost of branding *ipso facto* resulted in a difference in market value, or that the difference in price between home market and export sales of the merchandise is due cent for cent to the alleged difference in branding cost. The procedure being followed in this respect is not only opposed to the applicable provision of the law; it is also contrary to the letter and spirit of the regulations which purportedly guide Customs personnel in their investigation of dumping. Furthermore, no effort is being made to require the submission of information from the importer as to the manner in which, and the considerations relating to which the price was set for unbranded merchandise, or if such were indeed imported on a regular basis.

Adjustments To Reflect Differences in The Cost of Technical Services

Here, again, we understand that the Bureau of Customs makes an adjustment in the home market price to reflect differences in the cost of technical services in reliance upon a claim by the foreign manufacturer that he renders technical services in connection with his sales of merchandise in the home market which he does not extend to purchasers of exported merchandise.

Even though such an uncorroborated claim were found to be valid, it would still be necessary for the Bureau to be in possession of evidence which establishes that the difference in price

EXHIBIT 3

is due at least in part to the cost of technical service in the home market, and which would support a determination of the particular amount proper as a "due allowance" for such difference. Information of this type, we understand, is not obtained and once again it appears that the Bureau assumes the existence of a fact which the exporter is supposed to prove.

Adjustments for Selling Commissions

We are informed that Customs, in making adjustments to the home market price for selling commission, does so in reliance upon a claim by the foreign manufacturer that he sells through a commission agent in the home market. Further, although selling commissions may be incurred by the foreign manufacturer in his export sales, the Bureau does not seem to regard such selling expenses as "other circumstances of sale" for which allowances may be given.

An allowance cannot be made upon the basis of an *assumption* that the difference in price is due to the difference in commission paid in one market versus the other; proof establishing that the price difference was due at least in part to the absence of a commission paid on export sales is required. Further, the allowance is not automatically equal to the amount of the commission; rather, proof establishing what a "due allowance" is under the circumstances is required.

EXHIBIT 3

Apart from these fundamental deficiencies, it is not enough merely to take note of the selling commission. The Customs Regulations at Sec. 14.7(b)(2)(ii) state that -

> "reasonable allowances for selling expenses generally will be made in cases where a reasonable allowance is made for commissions in one of the markets under consideration and no commission is paid in the other market under consideration, the amount of such allowance being limited to the actual selling expense incurred in the one market or the total amount of the commission allowed in such other market, whichever is less."

These words mean that if the selling commission is deducted from home market price, the amount of the selling expense or commission, whichever is less, must be deducted from the export price. This, we understand, is not done by the Bureau.

The Practice of the Bureau of Customs in Averaging Prices Over an Extended Period of Time in Such a Manner as to Lower the Home Market Price in Effect at or About the Time the Merchandise Under Investigation was Exported to the United States so as to Eliminate or Reduce the Margin of Dumping is Clearly Improper.

The Bureau of Customs appears to have adopted a practice of averaging prices over an extended period of time in such a manner as to lower the home market price in effect at or about the time the merchandise under investigation was exported to the United States so as to eliminate or reduce the margin of dumping which may be found to exist after all of the adjustments to the home market price described above have been made.

EXHIBIT 3

There is absolutely no justification for averaging all of the prices of foreign manufacturers over extended time periods as we understand is done. The Antidumping Act requires a finding by the Secretary (or his delegate) of whether imported merchandise *is being*, or is likely *to be*, sold in the United States at less than its fair value. The averaging of prices over an *extended past period* seems obviously contrary to a consideration of prices at which the merchandise *is being*, or is likely *to be*, sold.

The Customs Regulations also require the focus to be on sales at the time the merchandise complained about was exported to the United States. Thus Sec. 14.7(a)(1) states,

> "Merchandise imported into the United States will ordinarily be considered to have been sold, or to be likely to be sold, at less than fair value if the purchase price or exporter's sales price * * * is, or is likely to be, less than the price * * * at which such or similar merchandise * * * is sold for consumption in the country of exportation *on or about the date of purchase or agreement to purchase, of the merchandise imported into the United States* if purchase price applies, *or on or about the date of exportation thereof if exporter's sales price applies.*" (Emphasis added)

A footnote to this section of the regulations adds stress to the requirement that the price comparison be made in regard to sales made at the time of exportation, as follows:

> "Fair value is computed on the basis of sales for consumption in the country of exportation * * * at or about the date of the purchase or agreement to purchase of the merchandise to be imported into the United States, or the date of exportation."

EXHIBIT 3

This footnote refers to a further, limited purpose, examination of prices over a longer span, but in terms which provide no permission for the averaging of prices, as follows:

> "However, in cases where it may be important to determine either the stability of the market or its trend, as well as to determine whether there has been a fictitious sale * * *, it will be helpful to the Secretary to have information as to sales made for consumption in the country of exportation * * * over a significant period of time immediately preceding the date of purchase or agreement to purchase, or exportation."

Reporting price information for a time span to the Secretary as a basis for him to consider the presence or absence of "stability of the market or its trend" is quite a different matter than the averaging of these prices to eliminate a margin of dumping plainly established. Once a margin of dumping is found to exist, the Secretary's duty is to make a determination of dumping. Price fluctuations may result in a zero assessment of dumping duties on particular importations, but cannot properly be used as a basis for explaining away the fact of dumping. We submit that the procedure being followed in this respect is improper and unlawful.

CONCLUSION

The chief difficulty with the administration of the Antidumping Act is the evident willingness on the part of the Secretary of the Treausry and his delegates to accept at face value the self-serving

EXHIBIT 3

explanations of foreign exporters of the apparent margin of dumping in their export sales to the United States. Current procedure seemingly involves little or no objective corroboration of unsworn statements of foreign producers.

Amendments to the Antidumping Act and a reform of its administration somewhat along the lines contemplated by H. R. 16332, and similar bills, which have been referred to your Committee, or the exercise of the legislative oversight functions of your Committee to this end will be required if the dumping aspect of unfair trade practices in our foreign trade is to be effectively brought under control.

EXHIBIT 4

APPENDIX TABLE I

U. S. DIRECT AND INDIRECT IMPORTS OF ELECTRONIC COMPONENTS, 1964-1967

(in thousands of units)

CLASS OF COMPONENT	1964	1966	1967	% CHANGE 1964-67
ACTIVE COMPONENTS -				
RECEIVING TUBES				
As end items	19,162	30,218	32,278	+68.4%
As tubes	48,553	81,572	52,730	+8.6%
Total	*67,715*	*111,790*	*85,008*	*+25.5%*
TV PICTURE TUBES				
As end items	715	1,524	1,614	+125.7%
As tubes	95	103	388	+308.4%
Total	*810*	*1,627*	*2,002*	*+147.2%*
TRANSISTORS				
As end items	108,004	419,693	236,160	+118.6%
As transistors	41,918	261,945	296,658	+607.7%
Total	*149,922*	*681,638*	*532,818*	*+255.4%*
RECTIFIERS AND DIODES				
As end items	70,685	124,098	126,856	+79.5%
As rectifiers and diodes	34,943	259,658	357,750	+924.0%
Total	*105,628*	*383,756*	*484,606*	*+358.8%*
PASSIVE COMPONENTS -				
CAPACITORS, ELECTROLYTIC				
As end items	169,810	352,271	317,974	+87.2%
As capacitors	30,000	265,000	155,837	+419.0%
Total	*199,810*	*617,271*	*473,811*	*+137.1%*
CAPACITORS, FIXED				
As end items	538,148	1,081,756	1,018,554	+89.3%
As capacitors	247,484	534,341	674,090	+172.4%
Total	*785,632*	*1,616,097*	*1,692,644*	*+115.4%*
RESISTORS, FIXED				
As end items	713,430	1,475,525	1,361,893	+90.9%
As resistors	305,884	902,073	876,953	+186.7%
Total	*1,019,314*	*2,377,598*	*2,238,846*	*+119.6%*

(continued)

EXHIBIT 4

APPENDIX TABLE I - *page 2*

(in thousands of units)

CLASS OF COMPONENT	1964	1966	1967	% CHANGE 1964-67
PASSIVE COMPONENTS *(continued)* -				
INDUCTORS				
As end items	213,248	437,811	403,855	+89.4%
As inductors	n.a.	n.a.	n.a.	
TRANSFORMERS				
As end items	28,034	57,922	55,152	+96.7%
As transformers	18,467	56,013	47,107	+155.1%
Total	*46,501*	*113,935*	*102,259*	*+119.9%*
OTHER COMPONENTS -				
CONTROLS				
As end items	32,538	68,823	64,008	+96.7%
As controls	23,023	101,027	26,300	+14.2%
Total	*55,561*	*169,850*	*90,308*	*+62.5%*
LOUDSPEAKERS				
As end items	17,169	35,907	32,429	+88.9%
As loudspeakers	8,164	19,593	15,586	+90.9%
Total	*25,333*	*55,500*	*48,015*	*+89.5%*
RECORD CHANGERS				
As end items	464	1,523	1,964	+323.3%
As record changers	1,842	3,055	2,171	+17.9%
Total	*2,306*	*4,578*	*4,135*	*+79.3%*

SOURCE: Marketing Services Department, Electronic Industries Association.

EXHIBIT 4

APPENDIX TABLE II

RATIO OF IMPORTS TO U. S. COMMERCIAL SALES OF SELECTED ELECTRONIC COMPONENTS, 1964-1967

(Sales and Import Data in Millions of Units)

CLASS OF COMPONENT	SALES	IMPORTS			RATIO, IMPORTS/SALES		
		As End Items	As the Component	Total	As End Items	As the Component	Total
ACTIVE COMPONENTS -							
Receiving Tubes:							
1964	337[1]	19	49	68	5.6%	14.5%	20.1%
1966	406[1]	30	82	112	7.4%	20.2%	27.6%
1967	291[1]	32	53	85	11.0%	18.2%	29.2%
TV Picture Tubes:							
1964	9,513	715	95	810	7.5%	1.0%	8.5%
1966	13,450	1,524	103	1,627	11.3%	0.8%	12.1%
1967	10,682	1,614	388	2,002	15.1%	3.6%	18.7%
Transistors:							
1964	146[2]	108	42	150	74.0%	28.8%	102.7%
1966	300[2]	420	262	682	140.0%	87.3%	227.3%
1967	220[2]	236	297	533	107.3%	135.0%	242.3%
Rectifiers & Diodes							
1964	604	71	35	106	11.8%	5.8%	17.6%
1966	1,204	124	260	384	10.3%	21.6%	31.9%
1967	1,128	127	358	485	11.3%	31.7%	43.0%
PASSIVE COMPONENTS -							
Capacitors, Electrolytic:							
1964	216	170	30	200	78.7%	13.9%	92.6%
1966	360	352	265	617	97.8%	73.6%	171.4%
1967	279	318	156	474	114.0%	55.9%	169.9%
Capacitors, Fixed:							
1964	1,723	538	248	786	31.2%	14.4%	45.6%
1966	2,584	1,082	534	1,616	41.9%	20.7%	62.5%
1967	1,826	1,019	674	1,693	55.8%	36.9%	92.7%

(continued)

EXHIBIT 4

APPENDIX TABLE II - *page 2*

(Sales and Import Data in Millions of Units)

CLASS OF COMPONENT	SALES	IMPORTS As End Items	IMPORTS As the Component	IMPORTS Total	RATIO, IMPORTS/SALES As End Items	RATIO, IMPORTS/SALES As the Component	RATIO, IMPORTS/SALES Total
PASSIVE COMPONENTS *(cont'd)*							
Resistors, Fixed:							
1964	2,894	713	306	1,019	24.6%	10.6%	35.2%
1966	4,555	1,476	902	2,378	32.4%	19.8%	52.2%
1967	1,986	1,362	877	2,239	68.6%	44.2%	112.7%
Inductors & Transformers:							
1964	54	241	18	259	446.3%	33.3%	479.6%
1966	95	496	56	552	522.1%	58.9%	581.0%
1967	95	459	47	506	483.2%	49.5%	532.6%
OTHER COMPONENTS -							
Controls:							
1964	n.a.	33	23	56	n.a.	n.a.	n.a.
1966	256[3]	69	101	170	27.0%	39.5%	66.4%
1967	n.a.	64	26	90	n.a.	n.a.	n.a.
Loudspeakers:							
1964	50	17	8	25	34.0%	16.0%	50.0%
1966	68	36	20	56	52.9%	29.4%	82.4%
1967	44[3]	32	16	48	72.7%	36.4%	109.1%
Record Changers:							
1964	n.a.	0.5	1.8	2.3	n.a.	n.a.	n.a.
1966	8.9	1.5	3.1	4.6	16.9%	34.8%	51.7%
1967	n.a.	2.0	2.2	4.2	n.a.	n.a.	n.a.

[1] Sales in OEM and renewal markets.
[2] Sales (consumer OEM).
[3] Production.

SOURCE: Marketing Services Division, Electronic Industries Association; U. S. Department of Commerce, BDSA, "Estimated Shipments of Selected Electronic Components," annual series (1967 annualized on the basis of first 3 quarters); Bureau of the Census and BDSA, "Selected Electronic and Associated Products," annual series; BDSA, "United States Imports of Selected Electronic Products"; Bureau of the Census, official foreign trade statistics.

EXHIBIT 4

APPENDIX TABLE III

U. S. BALANCE OF TRADE IN CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS, 1964-1967
(In millions of dollars)

Class of Component	1964	1966	1967	% Change 1964-67	1st Quarter 1967	1st Quarter 1968	% Change 1st Qtr. 1967-68
CONSUMER ELECTRONIC PRODUCTS							
EXPORTS							
TV	$ 29.5	$ 35.5	$ 31.8	+7.8%	$ 7.5	$ 7.4	-1.3%
Radio	8.1	10.3	12.0	+48.1%	2.6	2.8	+7.7%
Phonographs (new)[1]	2.1	2.6	2.8	+33.3%	0.6	0.6	-
Tape Recorders	24.5	21.4	21.7	-11.4%	5.2	5.7	+9.6%
Other	n.a.	7.0	8.3	n.a.	1.8	1.7	-5.6%
Total	*$ 64.2*	*$ 76.8*	*$ 76.6*	*+19.3%*	*$ 17.7*	*$ 18.2*	*+2.8%*
IMPORTS							
TV	$ 36.3	$ 115.7	$ 125.5	+245.7%	$ 30.4	$ 24.6	-19.1%
Radio	101.1	160.9	197.9	+95.7%	34.6	47.6	+37.6%
Phonographs	20.5	38.8	30.7	+49.8%	2.8	2.1	-25.0%
Tape Recorders	54.7	74.8	104.7	+91.4%	24.6	27.9	+13.4%
Other	n.a.	14.1	11.0	n.a.	2.8	1.9	-32.1%
Total	*$ 212.6*	*$ 404.3*	*$ 469.8*	*+121.0%*	*$ 95.2*	*$ 104.1*	*+9.3%*
BALANCE OF TRADE							
TV	-6.8	-80.2	-93.7	-1277.9%	-22.9	-17.2	+24.9%
Radio	-93.0	-150.6	-185.9	-99.9%	-32.0	-44.8	-40.0%
Phonographs	-18.4	-36.2	-27.9	-51.6%	-2.2	-1.5	+31.8%
Tape Recorders	-30.2	-53.4	-83.0	-174.8%	-19.4	-22.2	-14.4%
Other	n.a.	-7.1	-2.7	n.a.	-1.0	-0.2	+80.0%
Total	*$ -148.4*	*$ -327.5*	*$ -393.2*	*-165.0%*	*$ -77.5*	*$ -85.9*	*-10.8%*

(continued)

EXHIBIT 4

APPENDIX TABLE III - *page 2*

(In millions of dollars)

Class of Component	1964	1966	1967	% Change 1964-67	1st Quarter 1967	1st Quarter 1968	% Change 1st Qtr. 1967-68
ACTIVE COMPONENTS							
EXPORTS							
Electron Receiving Tubes	$ 14.6	$ 16.9	$ 13.5	-7.5%	$ 4.1	$ 3.4	-17.1%
TV Picture Tubes	11.2	16.0	19.3	+72.3%	5.7	2.1	-63.2%
Transistors[2]	46.4	54.1	46.3	-0.2%	13.2	12.8	-3.0%
Total	*$ 72.2*	*$ 87.0*	*$ 79.1*	*+9.6%*	*$ 23.0*	*$ 18.3*	*-20.4%*
IMPORTS							
Electron Receiving Tubes	$ 15.2	$ 33.3	$ 21.3	+40.1%	$ 7.8	$ 5.5	-29.5%
TV Picture Tubes	0.7	6.9	16.4	+2242.9%	3.7	7.1	+91.9%
Transistors[2]	5.6	28.7	26.7	+376.8%	6.1	8.5	+39.3%
Total	*$ 21.5*	*$ 68.9*	*$ 64.4*	*+199.5%*	*$ 17.6*	*$ 21.1*	*+19.9%*
BALANCE OF TRADE							
Electron Receiving Tubes	$ -0.6	$ -16.4	$ -7.8	-1200.0%	$ -3.7	$ -2.1	-43.2%
TV Picture Tubes	+10.5	+9.1	+2.9	-72.4%	+2.0	-5.0	-350.0%
Transistors[2]	+40.8	+25.4	+19.6	-52.0%	+7.1	+4.3	-39.4%
Total	*$ +50.7*	*$ +18.1*	*$ +14.7*	*-71.0%*	*$ +5.4*	*$ -2.8*	*-151.9%*

(continued)

EXHIBIT 4

APPENDIX TABLE III - *page 3*

(In millions of dollars)

Class of Component	1964	1966	1967	% Change 1964-67	1st Quarter 1967	1st Quarter 1968	% Change 1st Qtr. 1967-68
PASSIVE COMPONENTS							
EXPORTS							
Capacitors	$ 16.3	$ 21.1	$ 20.2	+23.9%	$ 5.6	$ 5.2	-7.1%
Resistors	15.7	29.5[3]	31.1[3]	+98.1%	8.1[3]	8.1[3]	-
Inductors and Transformers	5.1	12.2[4]	11.7[4]	+129.4%	3.0[4]	2.9[4]	-3.3%
Total	*$ 37.1*	*$ 62.8*	*$ 63.0*	*+69.8%*	*$ 16.7*	*$ 16.2*	*-3.0%*
IMPORTS							
Capacitors	$ 8.3	$ 24.4	$ 23.3	+180.7%	$ 6.8	$ 6.3	-7.4%
Resistors	4.3[5]	12.9[5]	12.4[5]	+188.4%	3.6	3.6	-
Inductors and Transformers	5.9	12.1	21.4	+262.7%	2.0	1.8	-10.0%
Total	*$ 18.5*	*$ 49.4*	*$ 57.1*	*+208.6%*	*$ 12.4*	*$ 11.7*	*-5.6%*
BALANCE OF TRADE							
Capacitors	$ +8.0	$ -3.3	$ -3.1	-78.2%	$ -1.2	$ -1.1	-8.3%
Resistors	+11.4	+16.6	+18.7	+64.0%	+4.5	+4.5	-
Inductors and Transformers	-0.8	+0.1	-9.7	-1112.5%	+1.0	+1.1	+10.0%
Total	*$ +18.6*	*$ +13.4*	*$ +5.9*	*-68.3%*	*$ +4.3*	*$ +4.5*	*+4.7%*

(continued)

EXHIBIT 4

APPENDIX TABLE III - *page 4*

(In millions of dollars)

Class of Component	1964	1966	1967	% Change 1964-67	1st Quarter 1967	1st Quarter 1968	% Change 1st Qtr. 1967-68
OTHER COMPONENTS							
EXPORTS							
Loudspeakers	$ 2.1	$ 4.4	$ 5.3	+152.4%	$ 1.2	$ 1.3	+8.3%
Earphones and Head Sets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Microphones	n.a.	2.3	2.6	n.a.	0.7	0.7	-
Parts for Consumer Electronic Products and for Components	n.a.	61.8	74.1	n.a.	16.2	21.4	+32.1%
Total		*$ 68.5*	*$ 82.0*		*$ 18.1*	*$ 23.4*	*+29.3%*
IMPORTS							
Loudspeakers	$ 4.7	$ 10.4	$ 10.6	+125.5%	$ 2.5	$ 2.9	+16.0%
Earphones and Head Sets	2.7	3.5	3.3	+22.2%	0.8	0.8	-
Microphones	2.1	4.1	4.1	+95.2%	1.1	0.9	-18.2%
Parts for Consumer Electronic Products and for Components	30.4	113.6	83.9	+176.0%	19.4	23.5	+21.1%
Total	*$ 39.9*	*$ 131.6*	*$ 101.9*	*+155.4%*	*$ 23.8*	*$ 28.1*	*+18.1%*
BALANCE OF TRADE							
Loudspeakers	$ -2.6	$ -6.0	$ -5.3	-103.8%	$ -1.3	$ -1.6	-23.1%
Earphones and Head Sets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Microphones	n.a.	-1.8	-1.5	n.a.	-0.4	-0.2	-50.0%
Parts for Consumer Electronic Products and for Components	n.a.	-51.8	-9.8	n.a.	-3.2	-2.1	-34.4%

[1] Excluding coin-operated.

[2] Import data for rectifiers and diodes are not separately stated in U. S. foreign trade statistics. The classification "other semiconductors" in the import statistics includes, in addition to rectifiers and diodes, other types of semiconductors which are not primarily used in consumer electronic products. Hence,

(continued)

APPENDIX TABLE III - *page 5*

NOTES *(continued)*

2 *(continued)*
the only directly comparable foreign trade data for the type of semiconductor used in consumer electronic products is limited to transistors.

3 Effective January 1, 1966, data for "electronic parts, n.e.c." are included with exports of resistors and parts thereof, making the data not comparable to import data for resistors.

4 Classification changed effective January 1, 1965, from inductors (including transformers and coils) to include coils, transformers, reactors, chokes, and parts.

5 Includes potentiometers and parts of resistors.

SOURCE: Marketing Services Department, Electronic Industries Association; U. S. Department of Commerce, BDSA, "United States Imports and Domestic Exports of Selected Electronic Products," annual data; Bureau of the Census, official foreign trade statistics.

EXHIBIT 4

APPENDIX TABLE IV

EMPLOYMENT AND ESTABLISHMENTS IN THE U. S. CONSUMER ELECTRONIC PRODUCTS AND ELECTRONIC COMPONENTS INDUSTRIES, 1967 (MID MARCH)

	CONSUMER ELECTRONIC PRODUCTS (SIC 365)		ELECTRONIC COMPONENTS (SIC 367)		TOTAL	
	Employ-ment	No. of Establish-ments	Employ-ment	No. of Establish-ments	Employ-ment	No. of Establish-ments
Illinois	43,504	79	39,690	204	83,194	283
California	9,440	113	57,981	459	67,421	572
New York	18,920	153	47,295	263	66,215	416
Indiana	31,108	16	18,061	63	49,169	79
Pennsylvania	4,885	27	41,747	147	46,632	174
New Jersey	9,436	50	28,675	245	38,111	295
Massachusetts	2,625	19	31,917	182	34,542	201
Connecticut	297	13	13,975	80	14,272	93
Ohio	1,222	21	12,931	64	14,153	85
Arizona	116*	5	10,761	18	10,877	23
Tennessee	8,223	23	1,729	15	9,952	38
South Carolina	.	.	7,860	9	7,860	9
Iowa	2,360	7	5,336	17	7,696	24
North Carolina	1,535	2	5,470	23	7,005	25
New Hampshire	.	.	6,834	19	6,834	19
Minnesota	837*	7	5,971	39	6,808	46
Virginia	1,537*	3	5,237	21	6,774	24
Kentucky	1,883*	4	3,872*	10	5,755	14
Texas	925	22	4,638*	56	5,563	78
Michigan	1,876	20	2,932	45	4,808	65
Wisconsin	807	8	3,421	34	4,228	42
Florida	.	.	4,032	56	4,032	56
Alabama	1,504*	3	1,881*	3	3,385	6
Nebraska	.	.	3,348*	9	3,348	9
Vermont	.	.	3,000*	2	3,000	2
Maine	.	.	2,784	6	2,784	6
Mississippi	350*	2	1,950*	3	2,300	5
Arkansas	2,264	6	.	.	2,264	6
Maryland	83	3	1,944	30	2,027	33
Rhode Island	.	.	1,710	12	1,710	12

(continued)

EXHIBIT 4

APPENDIX TABLE IV - *page 2*

	CONSUMER ELECTRONIC PRODUCTS (SIC 365)		ELECTRONIC COMPONENTS (SIC 367)		TOTAL	
	Employ-ment	No. of Establish-ments	Employ-ment	No. of Establish-ments	Employ-ment	No. of Establish-ments
Kansas	.	.	1,598	15	1,598	15
Hawaii	.	.	1,500*	1	1,500	1
West Virginia	.	.	1,205	7	1,205	7
Missouri	98*	5	1,077	19	1,175	24
Colorado	815*	7	313	10	1,128	17
South Dakota	.	.	927*	4	927	4
Utah	.	.	556*	3	556	3
Oklahoma	.	.	229	6	229	6
New Mexico	.	.	198	9	198	9
Idaho	.	.	181*	2	181	2
Washington	.	.	117	13	117	13
Delaware	.	.	114	5	114	5
TOTAL, 42 STATES	146,650	618	384,997	2,228	531,647	2,846
UNITED STATES TOTAL	144,998	656	401,916	2,247	546,914	2,903

* Estimated.

NOTE: The difference between the numerical total shown at the foot of each column and the "United States Total" shown below it is accounted for by the necessity of estimating employment in those States in which employment data are marked with an asterisk. To avoid disclosure in certain instances, the source of the data omits reporting actual employment figures.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *1967 County Business Patterns*.

The CHAIRMAN. We thank you, Mr. Stewart, for your very fine presentation of your point of view and that of your clients. Any questions? Mr. Curtis.

Mr. CURTIS. I want to again commend Mr. Stewart for the fine research he has done in presenting his material. It certainly does move forward the dialog.

Let me ask you, because you have testified in others areas too—here I begin to see possibly a glimmering of guidelines for qoutas—if you would argue that you apply quotas in those areas which prove to be labor intensive, am I correct?

Is that where you might distinguish between those industries to which Congress would apply quotas and those that we wouldn't?

Mr. STEWART. Mr. Curtis, it is certainly true that in the industries that are highly labor intensive you find problems of this comparable magnitude though I must say that it is very extreme in the electronic case, more advanced than any I have seen.

Mr. CURTIS. What I am seeking is some guidance. You very properly are representing the proponents of American industry, and agriculture, and services, but in your zeal to represent the proponents I know you recognize the need to put that in the context of the whole.

Let me ask it this way. Would you advocate our going over completely to the quota license system for regulating international trade in all areas?

Mr. STEWART. This group that I represent does not advocate a total embracing of quotas for the regulation of all imports. We say this industry certainly requires that assistance and we support a bill introduced by Mr. Collier——

Mr. CURTIS. Yes, I understand all that.

Mr. STEWART (continuing). That includes other industries that are labor-intensive that appear to us to be similarly affected

Mr. CURTIS. That is why I asked the question. Is one of your guidelines that you are suggesting the Congress consider in determining whether to apply the quota approach this labor-intensive factor?

Mr. STEWART. Yes, I would concede that that should be a guideline.

Mr. CURTIS. Are there any other guidelines, and there need not be necessarily—that is a pretty important one. I am just wondering if there are any other guidelines that you would suggest.

Mr. STEWART. The guidelines such as those set forth in the Collier bill contemplate a relatively high level of market penetration by imports. In the case of the electronic industries you would abstract the guideline of a very much higher rate of imports than of exports and an absolute deficit in the affected products in our balance of trade.

If you combine labor-intensiveness, high rate of increase of imports in relation to exports, and absolute trade deficit you are describing a situation in which there are significant losses of jobs in the American economy and an industry whose further growth is stunted by market disruption.

In those instance identified by those criteria there should be import relief.

Mr. CURTIS. And is the quota in the Collier bill a flexible one, as we have in the meat bill and others? Is it triggered at a certain level of imports?

Mr. STEWART. It is not on the basis of a trigger point but it is flexible in that a recent period is selected as a base period for the statutory quotas and their annual adjustment in the level of the quotas as the market grows.

The President, however, Mr. Curtis, and this is most important in the Collier bill, is given plenary power to enter into negotiations with the affected countries under guidelines to work out amicable solutions, and this is the crux of the matter.

If it can be done in cotton textiles amicably, as it was, it can be done in other major sectors of American industry that are labor intensive and are similarly affected such as electronic components.

Mr. CURTIS. But, Mr. Stewart, the cotton textile people have been in here saying that this approach hasn't worked and that they are still in trouble. The rest of the textile industry, especially the man-made fiber area, with I think considerable justification, is pointing out that while this has been done in cotton textiles it doesn't apply to them. So the question arises, if the cotton textile approach, the quota approach, was good why hasn't it worked?

I don't want you to have the wrong remedy.

Mr. STEWART. As I learned from listening to the testimony of the domestic textile industry witnesses, one of the problems with the cotton textile arrangement was that it did not include a proper scope of articles, so that it could be avoided by transferring from one area to another.

Secondly, it did not seem to them that it was being administered as much in the spirit of what was intended, though they are not willing to give it up and this means that the quality of administration is better than what the situation would be otherwise.

Now, in the case of electronic components if you were to draw the bill so as to include some of these affected components and not others or to leave out the summation of the components as assemblies, the consumer products, then you would have problems similar to the cotton textile arrangement in which quotas could be evaded, but if you include, as the Collier bill does, both the consumer electronic products and components used therein you would not have those problems.

Mr. CURTIS. Except for one thing. Thank goodness for the great innovation in our society, but in textiles, as well as certainly in electronic components what is the pattern today is not the pattern tomorrow. This is one of the reasons I worry about this kind of approach where you are dealing with past markets. What we are really seeking to solve is problems of anticipation and what future markets are going to be.

Maybe this can be done within the context of quotas, but I suggest that the difficulties that the cotton textile people have experienced are almost intrinsically the result of the quota system and I think whatever you do you are going to run into this same trouble in other industries. You always have problems of circumvention of the quota and you always have the question of how you administer the laws.

The only way I know to operate is to abide by the laws we have, rather than subvert them by administrative action. Change laws when they become outmoded but once you go to this business, which I think we have today, of the administration picking and choosing what laws it wants to enforce and not paying any attention to the laws it doesn't want to enforce, that is a destruction of orderly society per se. Your criticism of the antidumping administration was very instructive in this regard.

I think I share a lot of that criticism with you which leads me to this question.

Why not develop the antidumping laws, rewrite those, to try to hit at these problems? I think you are making excellent points. Cost accounting now has advanced to the point where we can start looking into the real practices of these countries abroad and particularly in the area of Government subsidy. We need cost accounting to find out where there has been subsidization.

Why isn't this a channel that your industry might pursue here?

Mr. STEWART. For this reason, and it is an important reason. We offered our comments on the Antidumping Act in an effort to be of service to the committee which had expressed an interest in the subject.

In industries that are affected by imports that are launched against this country on the basis of incremental pricing and where that is the margin of advantage, effective enforcement of the Antidumping Act would help but in industries such as electronics where the full home market price in Japan and in Hong Kong is so far below the domestic price that we cannot compete without some import regulation the Antidumping Act itself does not redress that problem so you need to have an array of trade regulating mechanisms, some which prevent unfair trade, which is what dumping is, and others which recognize the difference in the cost of living abroad and in the United States and the impact of that difference on labor-intensive industries.

Mr. CURTIS. We have talked about this before. There is no disagreement between you and me on this score. Back in 1957, as you know, I sought to identify as an unfair trade practice which I wanted to see us move to correct wage differentials related to productivity. This is a difficult thing to try to measure, but very few people showed any interest in it.

I still have an interest in trying to do it. I would do it frankly through the tariff approach just as the countervailing duty seeks to use the tariff approach in correcting government subsidies. We could use this approach to correct other practices.

Well, I just worry about whether the quota is the correct approach. Do you view this quota approach as something that would be permanent? Is this something that you think is to meet immediate need, or is this something that we would have from now on?

Would there be a terminus to this approach?

Mr. STEWART. The same process of legislative review that this committee has performed on the many extensions of the Trade Agreements Act over time and a refinement of the provisions of that act would be carried out in connection with any type of legislation that involved the use of quotas as an additional trade regulating means.

The fact that you adopted quota machinery here and now as a sufficient solution for the present type of problems that we have doesn't mean that you are committing future Congresses forevermore to that approach.

Mr. CURTIS. That is true. In some legislation we try to adopt a base and set a fundamental theory that hopefully might last 20 or 30 years. The cotton textile agreement quota was put on as if it were temporary.

In fact, it was only said to be, but it of course turns out not to be temporary.

Let me ask a couple of more questions on this job situation. What was the employment in 1948 in this particular segment of industry you are representing?

Mr. STEWART. I would have to submit that for the record.

Mr. CURTIS. Do you have any figures? The reason I picked 1948 was because in your testimony you referred to the industry 20 years ago, but any figure, for instance 1950, would be adequate.

Mr. STEWART. I can go back to 1959, Mr. Curtis.

Mr. CURTIS. At least give me that. That will give me something.

Mr. STEWART. The electronic components industry, standard industrial classification 367, in the year 1959 had 213,300 employees.

Mr. CURTIS. You just gave us a figure in your other testimony that they are now employing 500,000 in 1968.

Mr. STEWART. I believe that that was a combined total for that industry and consumer electronic products.

Mr. CURTIS. Can you give me the comparable figure which relates to the same industry for 1968?

Mr. STEWART. I can give it to you for April of 1968, Mr. Curtis. That figure is 350,400.

Mr. CURTIS. I am going to quarrel with you a little bit, as I have with other witnesses when you put so much emphasis on loss of jobs. Of course what you are really talking about isn't real jobs where people are or were employed. You are talking about potentials. Here your industry has gone in 1959 from a 213,000 employment figure to 350,000 in 1968, not a loss of jobs at all. That doesn't mean you haven't got problems though.

I have been misquoted so often on the issue of jobs that I am sick of it. I am concerned about jobs, but here we are trying to look at jobs in the context of a very dynamic society.

We have an unemployment rate right now which is well below 4 percent. We have more jobs going begging than there are unemployed. We have a very serious problem of utilizing these unemployed in jobs or hopefully in this economic system which we could do with adequate training and retraining. We just haven't been doing that, but we have, as we always have had in the United States, a shortage of labor. This is one reason these labor-intensive industries become less labor-intensive as we automate by necessity for lack of workers.

Some workers are displaced from a particular job by automation but it doesn't mean that human beings are not being employed. It may mean they are not being employed in your particular industry and that the labor unions that are in that industry are not getting dues, but this doesn't mean these men and women aren't being gainfully employed. If in fact it is a labor-intensive industry the workers are now probably being employed in an industry that is not so labor intensive and therefore their wages are higher.

I just want this issue of jobs in context. If anyone can complain about loss of jobs look at American agriculture where employment now is about 6 percent of our society from a much higher level, and coal, which was three times the employment which it is, and yet our coal industry has in effect driven out the coal industry of Western Europe by its efficiency.

Incidentally, in this instance I think we did a miserable job—by "we" I mean our labor leaders, and our coal industry—in the manner in which the coal miners lost their jobs. There were no programs for training and retraining, but there is no question about what the net result has been.

The telephone people say, "If we were to provide the telephone services that are provided in our society today, which is possible through the dial system, if we were doing that through the old switchboard system we would be employing every woman in the United States". So I hope that the testimony of the various industries that are pointing out their problems, and I know they have some real ones, will direct their attention to this employment factor in a little different way.

Yours is an emotional appeal and it is proper appeal if it is soundly based, but it certainly isn't in light of your own figures you gave me.

Mr. STEWART. Mr. Curtis, I respectfully suggest that to look at the total increase in employment of any industry from 1959 to 1968, and to note that there was an increase and then to draw the conclusion there therefore can be no problems——

Mr. CURTIS. I didn't draw that conclusion. Did I draw that conclusion? I said there are problems.

Mr. STEWART. That is the inference that I got.

Mr. CURTIS. Well, I said they are not of the nature that you describe as being lost jobs.

Mr. STEWART. Well, merely allow me to complete my statement.

Mr. CURTIS. I just want you to quote me accurately.

Mr. STEWART. I apologize if I appeared to misquote you, sir. We have not in this testimony complained about the increase in imports from 1959. We have come before you at a moment of time when the rate of increase in imports from 1964 to 1967 has risen so exceptionally and the market penetration has risen to such levels that now companies in the industry are experiencing a loss of jobs due to imports, and it seems to us that it is always appropriate for the Congress to consider the present situation and the composition of forces that influence this.

Mr. CURTIS. There is no question that we will consider the present situation but, Mr. Stewart, the reason I asked you for figures for 20 years ago was that you were pointing out the impact of imports of 20 years ago. That was the point, so I wanted to see the figures for 20 years ago and you didn't have them.

I wasn't the one that picked 1959 out. You couldn't give me the figures for 1948 and I said, well, give me whatever you can. You had directed your complaint to this committee with respect to imports by going back 20 years.

Mr. STEWART. Not so, Mr. Curtis.

Mr. CURTIS. I think my cross examination was very much in context with what you are saying.

Mr. STEWART. I had no objection to it. I was attempting to respond to a question that had been asked by Mr. Collier or one of your other colleagues of the prior witness that was not answered.

Mr. CURTIS. I am trying to look at these issues in the proper light and I know you are, and I want to close my interrogation again on a note of compliment. If only others would do as well as you do in digging into the details and the facts we would have this dialog moving along so much better. I hope we are all interested in getting at the problems and my criticism here, and I will repeat it, is this quoting of jobs that have disappeared.

You are talking about potential jobs. I had the same argument from the steel people. They were talking about 80,000 jobs lost and actually there was an increase in employment in the steel industry at the time they said 80,000 jobs were lost. That doesn't mean there isn't any problem. There is, but there is still a different kind of problem than those kinds of statements would indicate to the public.

Thank you, Mr. Chairman.

The CHAIRMAN. Did you have anything further?

Mr. STEWART. Merely to call to Mr. Curtis' attention and that of the other members of the committee exhibit 4, appendix table 4 of our testimony, which shows the employment by State in each of the 42 States that have these industries present and to make the point which my colleagues here have emphasized to me just by looking at those States you will recognize that a great deal of the employment in this industry, and this table is the last table in the document, is located away from metropolitan areas where it provides employment for people who live in rural and suburban communities, which is especially important in view of our social problems at this particular time.

Thank you again, Mr. Chairman.

The CHAIRMAN. There is one weakness in this table, Mr. Stewart.

Mr. STEWART. What is that, Mr. Chairman?

The CHAIRMAN. I don't see the State represented by the chairman on this with very many people employed.

Mr. STEWART. That is true, but it is like Dartmouth College. It is small but there are those of us who love it.

The CHAIRMAN. I knew there was an explanation. Mr. Betts.

Mr. BETTS. Mr. Stewart, I was of course interested in your tables on imports of component parts where you referred to TV picture tubes. I think we were pretty deep in that subject once before in this committee, and somewhere along the line the color tubes got separated from the black and white.

I was wondering what the status is on that. I think that was a real problem in the industry, wasn't it, at that time?

Mr. STEWART. It still is a problem. It is a problem, however, which is the province of another division of the Electronic Industries Association and I am not an authorized spokesman of that division.

Essentially what occurred was that first this committee and the Congress very properly corrected an error that had been made by the Tariff Commission in the rate of duty on picture tubes from 12½ to 30 percent and in the Tariff Schedules Technical Amendment Act as it passed this committee that error was corrected.

It was then represented to the Finance Committee that there was a shortage of color television picture tubes on the American market and this would penalize American companies.

On the basis of those representations this committee and the Finance Committee imposed a moratorium on the collection of the proper duty until September 1, 1969.

The fact of the matter is that there was then no shortage and there is now a considerable amount of excess capacity in this country for producing color TV picture tubes.

In 1967, as an example, the capacity for production of tubes was 10.4 million. The actual production was only 8.4. This was a capacity of 2 million out of 10 million or 20 percent of the capacity was unused, and this is contributing to the distress that has been experienced in the tube industry and there are bills pending before this committee, cosponsored by Members on both sides of the aisle, to cancel out that moratorium so that the proper duty may now be collected, and I respectfully submit that, as this committee has done in the past when it legislated on the basis of a mistake in fact, it ought promptly now to correct that mistake and to repeal the moratorium on the proper duty on color television picture tubes.

Mr. BETTS. Then that is the overall picture even though it might not be on this particular subject?

Mr. STEWART. Correct.

Mr. BETTS. I think this question was asked before. But I will ask it again. I am not sure whether you got into it or not in your presentation but do you have a comparison between Japanese wage scales, and American wage scales?

Mr. STEWART. Is there a difference?

Mr. BETTS. Yes.

Mr. STEWART. Not in our statement. I would be glad to submit that for the record.

Mr. BETTS. I would like it. Do you recall offhand what it is?

Mr. STEWART. Yes; I do generally. It is difficult to generalize it about Japan because people begin entering the work force in Japan, young girls in their teens, who live in company dormitories and who receive lower wage rates than adults, for example, but the general level of wages in Japan in the electronic industries as I understand it is in the approximate order of 50 to 60 cents an hour, in Hong Kong in the approximate order of 16 cents an hour, in South Korea in the approximate order of 14 cents an hour, and in Taiwan, about 12 cents an hour.

In the United States in the electronic components industry for 1967 the average hourly earnings were $2.40 an hour, on the average for the whole industry in components, and our leaders have made the point frequently we can be very efficient, we can be more efficient even than the Japanese, let us say, but we can't be that much more efficient in producing products in a labor-intensive industry to overcome that amount of wage difference.

Mr. BETTS. Were you going to submit it?

Mr. STEWART. I will submit the actual statistics that I can develop on that subject, Mr. Betts.

(The following letter was received by the committee:)

LINCOLN & STEWART,
ATTORNEYS AT LAW,
Washington, D.C., July 3, 1968.

Hon. JACKSON E. BETTS,
House of Representatives,
Washington, D.C.

DEAR MR. BETTS: During my appearance before the Committee on Ways and Means on June 25, 1968, on behalf of the Parts and Distributor Products Divisions of the Electronic Industries Association and the American Loudspeakers Manufactures Association, you asked if I could submit for the record information pertaining to wage rates in electronic manufacturing in Japan and other Asian nations which are supplying electronic imports to the United States.

We have been able to secure such information, and supply it in the form of the attached table. The table sets forth the wages being paid by typical electronic manufacturers in Hong Kong, Taiwan, Korea, and Japan. All of them are engaged in high labor content light electronic assembly work. The wage figures are given in dollars per hour and include all fringes and benefits such as holidays, vacations, annual bonuses, and other fringes. They are applicable to the average payroll at the time indicated for each of the companies interviewed and, therefore, include the average of new workers and workers with considerable seniority.

For comparison purposes, the average hourly earnings of workers in the U.S. electronic components and accessories industry (Standard Industrial Classification 367) in the spring of 1968 was $2.51 per hour, in the fall of 1967, $2.45, and in the summer of 1967, $2.41, as reported by the U.S. Department of Labor, Bureau of Labor Statistics, in *Employment and Earnings Statistics for the United States.* These average hourly earnings exclude such "fringe benefits" as irregular bonuses, retroactive items, payments of various welfare benefits, and payroll taxes paid by employers.

We thank you for your interest in this matter.

Sincerely yours,

EUGENE L. STEWART.

FAR EAST COMPARATIVE WAGES

	Dollar per hour	Time period
Hong Kong [1]	0.165	Spring 1968.
Korea [2]	0.120 to 0.140	Fall 1967.
Taiwan [3]	0.122	Fall 1967.
Japan [4]	0.60	Summer 1967.

[1] Based on actual experience of our specific company.
[2] Based on interviews with selected American manufacturers engaged in high labor content, light assembly operations (3 companies).
[3] Based on interviews with selected American manufacturers engaged in high labor content, light assembly operations.
[4] Based on report of interviews with selected Japanese manufacturers engaged in light assembly operations.

Mr. BETTS. I want a copy of it and I want to compliment you for your presentation today.

Mr. STEWART. Thank you, Mr. Betts.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Stewart, I also want to congratulate you on a very comprehensive and factual statement. I think it is excellent. I plan to study it with great interest. I think you have so many facts in here that we should all study it further.

In the interest of time I have no questions to ask you but I do agree with your statement on Dartmouth College. I think it was an appropriate statement.

Thank you.

The CHAIRMAN. Mr. Broyhill.

Mr. BROYHILL. I should like to associate myself with the remarks of my colleagues in commending you. It was a very effective presentation, Mr. Stewart. I can see why you appear before the committee on several occasions representing several different clients. You make a most clear and persuasive presentation. I regret that you aren't sitting at the conference table when we negotiate some of these trade agreements.

What was the amount of the average wage rate that you gave to Mr. Betts a moment ago in the United States in 1967?

Mr. STEWART. In the components industry, $2.40.

Mr. BROYHILL. That is 1967?

Mr. STEWART. Yes, sir.

Mr. BROYHILL. And it has gone up some since then, hasn't it?

Mr. STEWART. Yes, sir.

Mr. BROYHILL. In one of your tables here you point out the difference in the tariff rates between the United States, Japan and the European market. Are we exporting any of these goods to Japan? You showed on one of these charts we got about 65 percent of the imports from Japan. Here Japan has an average of about 100 percent more tariff rate than we have.

Are any of these places that have high tariff rates, the Common Market and United Kingdom, to which we have sent about $300 million in exports as of 1967?

Mr. STEWART. Let us take a few categories. On television receivers, in 1966 we exported television receivers to Japan of the value of $264,000 and imported television receivers from Japan of a value of $106,754,000. Let us take radio broadcast receivers. In 1966 the official statistics of the United Nations, which is the source of these answers, shows zero exports from the United States to Japan and imports of $135,239,000.

On sound recorders, phonographs, and parts in 1966 the United States exported $5,331,000 worth of those products to Japan while importing $78,947,000.

Does that give you the kind of information you want?

Mr. BROYHILL. Yes. In fact these duty rates imposed by Japan are somewhat meaningless even though they are three or four times as high as the duty we impose. If Japan reduced her duties we could not increase our trade with Japan, or could we?

Mr. STEWART. The fact of the matter is that apart from the rate of duty there are structural reasons why it is impossible to export a competitive electronic product to Japan. Business there is done on the basis of trading companies. The trading companies are already locked in contractually with the Japanese manufacturers.

It is difficult for an American manufacturer to get the attention of a trading company because if he has any substantial business or distribution in electronic products based on his Japanese business he will lose it.

Also if you could find an importer who wants to brave all of those difficulties he cannot get an allocation of foreign exchange from his bank for products that are directly competitive with Japanese industry. This is a matter of practice, not formal Government regulation.

Mr. BROYHILL. Thank you.

The CHAIRMAN. We thank you, Mr. Stewart, and those at the table with you for your testimony.

Mr. STEWART. Thank you, Mr. Chairman.

(The following telegrams were received, for the record, by the committee:)

NEW YORK, N.Y.
July 12, 1968.

HON. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.

As a member company of the parts division of the Electronics Industries Association, we hereby disassociate, repeat disassociate, ourselves from the statement of Eugene F. Stewart in behalf of the parts division of EIA in support of quotas on imports of electronic articles made to your committee on June 25, 1968, during the hearings on H.R. 17551. Please insert this telegram in the record of these hearings immediately following Mr. Stewart's statement.

MICHAEL BLUMENTHAL,
President, Bendix International, The Bendix Corp.

ERIE, PA.,
July 11, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.

As a member company of the parts division of the Electronic Industries Assoc. we hereby disassociate, repeat disassociate, ourselves from the statement of Eugene F. Stewart in behalf of the parts division of EIA in support of quotas on imports of electronic articles made to your committee on June 25, 1968, during the hearings on H.R. 17551. Please insert this telegram in the record of these hearings immediately following Mr. Stewart's statement.

GEORGE P. FRYLING,
President, Erie Technical Products, Inc., Erie, Pa.

July 11, 1968.

Hon. WILBUR D. MILLS, *Chairman*
House Committee on Ways and Means,
Washington, D.C.

As a member company of the parts division of the Electronic Industries Association, we hereby diassociate, repeat disassociate, ourselves from the statement of Eugene F. Stewart in Behalf of the parts division of EIA in support of quotas on imports of electronic articles made to your committee on June 25, 1968, during the hearings on H.R. 17551. Please insert this telegram in the record of these hearings immediately following Mr. Stewart's statement.

JOHN J. GRAHAM,
Group Vice President, General Dynamics Corp.

SANTA MONICA, CALIF.
July 12, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.

As a member company of the parts division of the Electronic Industries Association we hereby disassociate, repeat disassociate, ourselves from the statement of Eugene F. Stewart in behalf of the parts division of EIA in support of quotas on imports of electronic articles made to your committee on June 25, 1968, during the hearings on H.R. 17551. Please insert this telegram in the Record of these hearings immediately following Mr. Stewart's statement.

JOHN G. BROOK,
Chairman, Lear Siegler, Inc.

SUNNYVALE, CALIF.,
July 11, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.:

As a member company of the parts division as well as government products division of the Electronic Industries Association we hereby disassociate repeat disassociate ourselves from the statement of Eugene F. Stewart in behalf of the parts division of EIA in support of quantities on imports of electronic articles made to the committee on June 25, 1968, during the hearing on H.R. 17551. Please insert this telegram in the records immediately following Stewarts statement.

D. J. HAUGHTON,
Chairman of the Board, Lockheed Aircraft Corp.

NEW YORK, N.Y.,
July 10, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
Washington, D.C.:

As a member company of the parts division of the Electronic Industries Association we hereby disassociate, repeat disassociate, ourselves from the statement of Eugene F. Stewart in behalf of the parts division of EIA in support of quotas on imports of electronic articles made to your committee on June 25, 1968 during the hearings on HR 17551. Please insert this telegram in the records of these hearings immediately following Mr. Stewart's statement.

GEORGE H. FEZELL,
President, Magnavox Consumer Electronics Co.

FRANKLIN PARK, ILL.,
July 12, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.:

As a member company of the parts division of the Electronic Industries Association, we hereby disassociate, repeat disassociate, ourselves from the statement of Eugene F. Stewart in behalf of the parts division of EIA in support of quotas on imports of electronic articles made to your committee on June 25, 1968, during the hearings on H.R. 17551. Please insert this telegram in the record of these hearings immediately following Mr. Stewart's statement.

ROBERT W. GALVIN,
Motorola, Inc.

WALTHAM, MASS.,
July 12, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.:

Raytheon Company is a member company of the parts division of the Electronic Industries Association, we hereby disassociate, repeat disassociate, ourselves from the statement of Eugene Stewart in behalf of the parts division of EIA in support of quotas on imports of electronic articles made to your committee on June 25, 1968, during the hearings on H.R. 17551. Please insert this telegram in the record of these hearings immediately following Mr. Stewart's statement.

CHARLES F. ADAMS,
Chairman of the Board, Raytheon Co.

DALLAS, TEX.,
July 11, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.

Texas Instruments is already on record as opposing any form of import quotas or other restrictive import law. As a member company of the parts division of the electronics industries association we hereby disassociate, repeat disassociate ourselves from the statement of Eugene F. Stewart in behalf of the world trade committee of the parts division of EIA in support of quotas on imports of electronic articles made to your committee on June 25, 1968 during the hearings on H.R. 17551.

Please insert this telegram in the record of these hearings immediately following Mr. Stewart's statement.

J. FRED BUCY.
Group Vice President, Texas Instruments Inc.

The CHAIRMAN. Mr. Tanaka. If you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENT OF H. WILLIAM TANAKA, ATTORNEY, IN BEHALF OF PAUL H. DAVIDSON, PRESIDENT, INTERNATIONAL IMPORTERS, INC.

Mr. TANAKA. Mr. Chairman, for the record my name is H. William Tanaka. I am an attorney for International Importers, Inc. I received a call late last night that Mr. Davidson regrets that he won't be able to appear. However, he asked that I read his short statement for the record and with your permission I would like to summarize his statement and then have the full statement incorporated in the record.

The CHAIRMAN. Without objection the entire statement will be made a part of the record and you are recognized to proceed.

Mr. TANAKA. Thank you, Mr. Chairman.

"Mr. Chairman, members of the committee, my name is Paul M. Davidson. I am president of International Importers Inc., and importer and distributor of electronic products and components located in Chicago. I appreciate the opportunity to present the views of my company on the important legislation before your committee."

Inasmuch as the trade issue relating to imports of electronic products has been discussed at length here I will not deal with the trade policy issue but I would like to direct your attention to what I as an importer would experience in the event that any quota restrictions should be imposed on electronic imports.

"Our company was established about 15 years ago in Chicago. We are a relatively small company specializing in the importation and sale of finished electronic products and components."

Some of our products include television receiving tubes, and other electronic subassemblies. Our total sales amount to about $6 million a year. Our exports amount to about 5 or 6 percent of that figure.

"I feel that companies like ours serve an important function for both the industry and the American consumer. We are an important supplementary source of electronic components for American subassembly set manufacturers. Imports have been vitally important in times of short supply and their availability at reasonable prices has helped many smaller manufacturers to compete with the larger integrated producers who have in-house capability to manufacture components. The importance of imported components to American producers of consumer electronic products is illustrated by their efforts to obtain reasonable rates of duty for products such as color TV picture tubes and receiving tubes."

The American manufacturers and importers and the American consumers have all benefited from the trade in electronics, but the quotas now being considered by the Congress threaten the continuation of these benefits.

"As you know, import quotas are the most stringent and onerous form of trade restriction. Unlike tariffs which are simply another element in the cost of doing business, quotas completely disrupt the normal factors of supply and demand, and make it nearly impossible to conduct business in an orderly manner. The electronic quota bill and the so-called omnibus quota proposals would place absolute limits on the volume of imports.

"The advocates of this legislation state that they are only asking for a reasonable regulation of trade. They say that they are not seeking a rollback in imports and point to provisions which would permit imports to share in the market growth. While these proposals might seem to be reasonable and even liberal when viewed in the abstract, I ask you gentlemen to step in my shoes and think about their impact on the businesses which are engaged in the importation and sale of electronic products. In my view, the practical application of import quotas to businesses such as ours would totally disrupt normal operations and would jeopardize the existence of many small businessmen.

"To begin with, I cannot see how one can do business when supply of his stock in trade is totally uncertain due to arbitrary restrictions. Once the annual quotas are filled, all additional imports would be totally barred from this country until the new quota opens.

"Even if the overall quota is known in advance, no individual importer can be sure that his own shipment will be entered before the quota is filled. If the gates are closed while the shipment is on the way, the importer must bear warehousing costs until the quota reopens. How can we make commitments to our customers and suppliers, and how can we obtain the necessary financing under such circumstances?

"Secondly, absolute limitations on imports imposed by the United States must necessarily result in controls on exports by the supplier nations. In the case of Japan, for example, the variously mandatory and so-called voluntary restrictions on other products have required the Japanese Government and industry to divide up the quotas among manufacturers, exporters, 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.

"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 overall 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 review the categories and subcategories 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 everyday operation of business. I submit that there is no need for import quotas in any segment of the electronics industry, and that