II. SUMMARY AND CONCLUSIONS

The $40 billion U. S. chemical industry, which is fighting intensified competition from foreign chemical manufacturers, now faces the threat of invasion of its domestic market on a large scale.

Although world economic and manufacturing conditions have drastically changed since the U.S. first entered into GATT negotiations, the U.S. Government's policies regarding world trade have remained static. In the past, the thrust of U.S. trade policy has been to assist foreign nations to restore destroyed or worn-out manufacturing facilities and improve their economic status. Today these same nations have the most modern automated plants capable of matching production with the best in the U.S., have labor costs substantially lower than ours, and in many cases access to cheaper raw materials. Our international trade policies have neglected to reflect this changing picture.

The unreciprocal results of the Kennedy Round negotiations have placed the U.S. chemical industry at a serious disadvantage vis-a-vis our trading partners in the world market place. The agreement by the United States negotiators that the U.S. should reduce its import duties 50 percent while the British and European Common Market countries reduce their duties only 20 percent has opened for our trading partners doors to the domestic chemical industry market while gaining little in terms of export opportunities for U.S. companies. For these and other reasons the chemical industry believes:

1. Extension of the President's tariff negotiating authority should be limited to a variety of "housekeeping" activities and should not include provision for further U.S. tariff reduction.
2. In light of increasing pressure from foreign imports in our domestic markets, the need for adequate escape clause procedures to permit tariff adjustment by the President is intensified. Pertinent legislation should liberalize the eligibility criteria for escape clause relief for industries as well as for workers and individual firms.
3. In light of the present imbalance in tariff concessions granted in the Kennedy Round and lack of reciprocity in the Supplemental Agreement, the Congress should reject any efforts to further reduce duties on chemical products and should support retention of the American Selling Price.
4. A foreign trade policy based on the anticipated effects of foreign imports on U.S. trade balance and balance-of-payments should be devised.
5. Action should be taken by the United States to effect removal by our trading partners of border taxes and other non-tariff barriers.
6. Meaningful export incentives should be provided for industry as a step in restoring a favorable balance-of-payments.
7. Restrictions on foreign investments by U.S. industrial corporations should be removed.
8. Adequate funds should be provided the Tariff Commission to carry out its important investigative powers with greater efficiency and dispatch.

III. U.S. CHEMICAL INDUSTRY

The industry includes many international companies with plants and/or sales offices in most countries of the free world. In addition to exports of $2.8 billion, the chemical sales of the U.S. foreign manufacturing affiliates were estimated at over $9.0 billion in 1967. As the record will show, this industry has for many years made available to the Government its studies and specific recommendations to assist in the formulation and implementation of a sound U.S. trade policy. We believe our Association is in a unique position to evaluate the effect of the proposed legislation insofar as chemicals are concerned.

A. Importance of the Chemical Industry to the U.S. Economy

The history of the U.S. chemical industry over the past ten years reflects an annual average growth rate of about 6 percent. The value of shipments in 1967 was approximately $40.2 billion. In that year, the domestic chemical industry employed about 990,000 persons, operated 14,000 plants and and spent for construction nearly $3 billion in the U.S., and $1 billion overseas. Also in 1967, chemical industry wages and salaries totaled about $2 billion, which represents 6 percent of the total paid to all employees of manufacturing industry.

The American chemical industry, although a major contributor to the favorable U.S. trade balance, is encountering sharpening competition in world markets.