

the Spring of 1963, MCA members were canvassed for their views on whether their exports would be increased if foreign tariffs were reduced 50 percent. Several times after that and before the conclusion of the Kennedy Round, members were again asked about export opportunities in event foreign tariffs were lowered. Each time the result was the same, and with few minor exceptions, members advised that they did not believe that their exports would increase significantly if foreign tariffs were lowered by 50 percent. Under these circumstances, it seems clear there is little or nothing to be gained for the American chemical industry by enactment of the Separate Package because it is not believed that any new export opportunities would accrue.

3. *Effect of Enactment on Employment*

During 1966, many chemical companies filed briefs and gave testimony before the Tariff Commission and the Office of the Special Representative for Trade Negotiations pointing out that lowering of tariffs on benzenoid chemicals and the consequent increase of imports would have a serious economic impact upon this segment of the chemical industry. It was predicted that the lowering of tariffs would force this portion of the industry, which is composed of U.S. companies employing about 116,000 persons, to not only curtail employment, but even to abandon some benzenoid production facilities.

4. *Effect of Enactment on U.S. Defense Establishment*

Benzenoids are the building blocks on which many defense-oriented products are based. The following are only a few of the military uses instantly available as derivatives from one intermediate (aniline): Dyes for uniforms, depth charge markers, camouflage and smoke pots, sulfa drugs to treat wounds, burns and general infections, accelerators and peptizers for synthetic rubber, as well as insecticides, fungicides, and wood preservatives. Other military products derived from benzenoids include: detonators for ICBM's, napalm, CS tear gas, protective nylon vests, and herbicides for defoliation. Approval of the Separate Package which would lower the duties on benzenoid chemicals would provide unfair competition and even force abandonment of the production of some benzenoid chemicals. Serious consequences may result if a chemical industry that supplies basic defense needs is not maintained.

5. *Effect of Enactment on Research and New Product Development*

Approval of the Separate Package could result in the abandonment of substantial portions of domestic benzenoid facilities, weaken the competitive position of the industry, and reduce profits; the vast amount of research currently being carried on in this field will inevitably be curtailed. The benzenoid industry is only a segment of the total chemical industry, but it has been, and continues to be, the seedbed of many of the chemical industry's new ventures. Man-made fibers are an outstanding example; nylon and polyester fibers are of benzenoid origin. In addition, benzenoid intermediates are converted into polymers for manufacture of film and plastic products which now constitute large industries in themselves.

During the period 1956-1963, U.S. firms introduced 48 new products in the crop protection field;¹ during the period 1959-1965, American dye manufacturers introduced 409 new color index types, each representing a new dye structure, all of which are benzenoid in nature;² and, in the medicinal chemicals field, U.S. firms introduced 133 new benzenoid chemical types during the years 1956-1963.

6. *Effect of Enactment on Benzenoid Segment of the Chemical Industry*

The net result is to make it more difficult to compete, especially in industries where the labor content is high, such as in a large segment of the benzenoid chemical industry. Adequate profits are needed in order to attract expansion capital, support research for innovation, and the development of new products. Even with the ASP, for the years 1963 to 1966 (selected so that effects of the Dillon Round tariff cuts would be shown), imports in the dutiable benzenoid chemical area have increased an average of 34 percent per year. With the tariff on most benzenoids cut by 50 percent in the Kennedy Round, imports can be expected to increase even faster.

If ASP is eliminated and the tariff cut contained in the Separate Package enacted, it is our view that the domestic benzenoid chemical industry will deteriorate.

¹ *Guide to Chemicals Used in Group Protection* 1964 Research Institute, University of Western Ontario.

² *American Association of Textile Chemists and Colorists Yearbooks*.