It is obvious that the need is not for further analysis—the need is for action and action now.

Certainly, a long drawn-out negotiation is no answer. In our own domestic market, and in third countries, we simply cannot bear the 10 to 15% handicap which results from foreign export rebates and expect to remain competitive. Similarly, our export cannot bear a 10 to 15% border tax handicap and expect to remain competitive. In the face of these significant handicaps, imports will flood our markets and our exports will wither.

Since the Administration has not been forthcoming with its proposals, we would like to suggest proposals of our own. In formulating these proposals, we have set three goals:

One, that we seek equity, not largesse;

Two, that these proposals attempt to minimize the effect which our actions will have upon our trade with countries that do not employ these border tax-export rebate mechanisms; and

Three, we should abide by our international commitments.

To meet these goals, we recommend that the following steps be taken:

First, we should immediately impose a border tax and export rebate to the full extent that we are able to do so consistent with the existing GATT rules, that is, an amount equal to the total amount of indirect taxes imposed upon U.S. products. We believe that, as a minimum, these border taxes and export rebates should be at least 5%.

Second, until such time as an acceptable revision of the GATT rules has been worked out, the United States should enforce its countervailing duties statute in accordance with the decisions of the Supreme Court against all imports which have received the benefit of a turnover tax rebate or any other subsidy or bounty. The countervailing duty will fall upon imports from those countries that are subsidizing their exports and will have no effect upon those countries that do not. This step is required by existing law and it does not violate our GATT commitments because of the "grandfather" clause in the Protocal of Provisional Application.

Third, we should continue to press for an immediate and speedy reconsideration of the inequitable interpretation placed upon the GATT ground rules in order to provide fair and equitable treatment for countries with an income tax system.

When a U.S. border tax and export rebate are enacted, the Congress could make the question of our own border tax and export rebate, as well as our countervailing duty statute, proper subjects for discussion in any over-all negotiation designed to remove disadvantages to our trade caused by the border tax-export rebate mechanism, provided reciprocal action was taken by our trading partners.

This would provide more equitable treatment for our trade pending appropriate revision of the GATT rules. It would also provide negotiating leverage to assist our negotiators in working out an equitable settlement of this problem.

This third area—border tax-export rebate—in which the United States did not obtain reciprocity in the Kennedy Round negotiations, is an area in which all U.S. industry is deprived of reciprocity. If prompt action is not taken, this will have a continuing adverse effect upon our deteriorating balance of trade and balance of payments.

V. THE KENNEDY ROUND AND "SEPARATE PACKAGE" DEALS WILL HAVE A SERIOUS ADVERSE ECONOMIC EFFECT UPON THE U.S. CHEMICAL INDUSTRY, ITS WORKERS AND THE U.S. BALANCE OF PAYMENTS

We would now like to review for you the probable economic effect of the Kennedy Round and separate package agreement upon the domestic chemical industry, its workers and this country's balance of payments.

It is interesting to note at the outset the paucity of information in the Government testimony on this subject. The Committee was given page upon page of statistics as to the competitiveness and efficiency of the U.S. chemical industry, but no attempt was made to give the Committee any meaningful assessment of *what the effect of the Kennedy Round and "separate package" agreements will be on the domestic benzenoid chemical industry, its workers and the U.S. balance of payments.*

The Government presented this Committee with every possible favorable statistic about the chemical industry. But all of these Government statistics on the efficiency of the chemical industry really beg the issue—Mr. Turchan stated at the outset that this is a competitive, efficient industry. The real issue is: What