"Thus, an almost untouched export market will be created for plastics and resins manufacturers if ASP is abolished. How far they will be able to take advantage of it depends again on their level of surplus capacity."

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"When and if ASP is abolished, levels of new plant capacity will take account of the newly created U.S. market. . . ."

I would wish to emphasize that Mr. Fitzpatrick's comments do not relate to the very sensitive labor intensive segment of our industry, but rather to the high volume, low priced, capital intensive products in which the Government has felt there was no threat whatsoever to our industry.

The overall significance and effect of these "deals" was summed up in a paper presented by Mr. George B. Hegeman of Arthur D. Little, Inc. at a Seminar on the Management of International Marketing in the Chemical Industry in Frankfurt, Germany in June, 1967. Mr. Hegeman stated:

". . . Thus, Europe is a strong trading bloc and the move to reduce chemical tariffs around the world will provide a further stimulus to European exports and its balance of payments. With only limited tariff cuts scheduled for now in Europe, the U.S. chemical industry is not expected on balance to benefit from these negotiations. Should the American Selling Price be abandoned, U.S. imports will surely rise rapidly. Since the U.S. chemical trade balance will undoubtedly drop, so will its contribution to the U.S. payments position. However, the major firms now marketing in this area will try to maintain market position and will undoubtedly invest abroad to remain competitive. In doing so, they will follow the classic U.S. pattern of investing rather than trading. Only this time there will be a difference—they will intend to export to the United States and this will reinforce the pattern of improved trade balances in Europe and a deteriorating position in the United States."

Of course, Mr. Hegeman's speech was given before the U.S. adopted controls on foreign direct investment abroad. To the extent that these controls do effectively restrict our industry's investments abroad, the effect on the U.S. balance of payments will be even worse. Our foreign competitors will expand even more rapidly their share of the U.S. and world markets, with no resulting benefit at all for the U.S. balance of payments. From a balance of payments point of view, it is certainly far better for U.S. companies to retain as large a share as possible of its domestic market and of the world market even if it has to do so from lower cost bases abroad—at least our balance of payments would receive the benefit of the return on investment.

While we have been unable to find any similar economic independent assessments supporting the Government's position, we would, of course, be pleased to have the Government cite some for us and for the Committee. As I am sure you must realize, it is little consolation to the chemical industry that its foreign competitors and market analysts agree with it as to the serious adverse effect these chemical deals will have.

The Domestic Industry Analysis as to Probable Economic Effect

We would now like to turn to our analysis of the probable economic effect of these deals upon the operations of our member companies.

We did not want to come and follow the usual course of coming and just telling the Congress how badly we were going to be hurt. We therefore undertook a detailed study—item by item, cent by cent, using the actual sales and cost data off the books of the individual companies—to enable us to present a reasoned appraisal of the situation.

Industry Analysis.—I would now like to explain to you the type of analysis we have made. A Form A, which appears on the following page, [Form A appears in Mr. Barnard's oral presentation] was prepared for each individual product to enable comparison of the American Selling Price with the price at which the imported product could be sold in this market, after the payment of duty, insurance and freight and the importer's commission. The completed form shows the price at which imports can be sold in this country and the rate of duty (1) before the Kennedy Round reduction, (2) after the Kennedy Round reduction, and (3) after the "separate package" agreement. We then took the prices and calculated the loss of sales revenue and the pre-tax profit which would result if we had to sell our goods at the same price at which the imports could be sold in this market as a result of the duty cuts. In order that there not be the slightest question, the foreign prices used were those derived from