the Tariff Commission's converted rates although in many instances lower price quotations from abroad were available.

Our calculations were based upon two assumptions. First, we assumed that the entire amount of the duty cut would be passed on to the consumer. We assumed our foreign competitors would sell at a price that would provide them the same return they are now getting. In other words, that their profit would be the same as the profit which they are currently realizing on their sales to the United States. If these duty cuts are passed on *and* they still further reduce their price, the result would be even worse. If, on the other hand, these duty cuts are not passed on, it only means that our duty cuts are serving no purpose but to put additional cash in the pockets of our foreign competitors, with no benefit to the U.S. consumer.

The second assumption was that U.S. producers would continue to sell the same quantity that we sold in the base period. We recognize that if foreign producers were able to sell at these lower prices, they would take a large share of the market and that we would therefore not be able to sell the same quantity. Moreover, as can be seen from the pre-tax profit figures which would result from the Kennedy Round deal and the separate package deal, there would be considerable question as to whether we would even continue to make the product.

As a practical matter, one of these assumptions goes one way and one goes the other. As we shall discuss in a moment, there is no doubt in our minds that the actual effect upon our competitive position would be even worse than the results that are obtained by the method we used. But for now, let us return to our analysis.

We took the results of the individual product analyses and grouped them together by categories on Form B. On this basis we came up with an overall picture for the intermediates, dyes and pigment basket categories, which cover three of the principal benzenoid chemical areas. In this way we were able to avoid revealing any confidential business information, since individual product data would be buried in the overall figures which we are presenting.

Many companies were unable, either because of the way their books were kept or because of the amount of work involved to develop the information for us on a uniform basis. However, we were able to obtain data in three areas which provide a representative cross section of the industry. In each of these areas we have the results for 8 to 10 companies ranging from the largest to the smallest and in each instance the data accounted for approximately 90% of the total sales of such products by these companies. The products not included were those which accounted for a relatively small amount of the companies' sales.

Results of Industry Analysis.—The results are shown on Form B on the facing page. (Form B appears in Mr. Barnard's oral presentation.) For the intermediates baskets, TSUS 403.30–.60, sales before the Kennedy Round by the companies supplying data were $125 million and pre-tax profit was 9%. The loss of sales revenue which would be suffered under Kennedy Round reductions was $9 million and pre-tax profit would fall to 2%. Then, assuming the prices at which we would have to sell in order to meet foreign prices under the "separate package" agreement, we would have a total loss of sales revenue of $11 million and a pre-tax profit of .2%.

For the dye categories, TSUS 406.–.50, sales by the companies supplying data before the Kennedy Round were $123 million and pre-tax profit was 12%. The loss of sales revenue which would be suffered under Kennedy Round reductions was $15 million and pre-tax profit would fall to .01%. Then, assuming the prices at which we would have to sell in order to meet foreign prices under the "separate package" agreement, we would have a total loss of sales revenue of $21 million and a pre-tax loss of 6%.

For the pigment category, TSUS 406.70, sales by the companies supplying data before the Kennedy Round were $59 million and pre-tax profit was 16%. The loss of sales revenue which would be suffered under Kennedy Round reductions was $7 million and pre-tax profit would fall to 1%. Then, assuming the prices at which we would have to sell in order to meet foreign prices under the "separate package" agreement, we would have a total loss of sales revenue of $10 million and a pre-tax loss of 5%.

These calculations clearly illustrate what the Kennedy Round and "separate package" agreements will do to the competitive position of the domestic benzenoid chemical industry.

Effect of Foreign Commercial Strategy.—As I stated earlier, we have no doubt but that the damage to our competitive position is even worse than is reflected