on Form B. We are left open to a commercial strategy by our foreign competitors which would have an even more serious adverse effect than is reflected in these calculations.

If you were sitting in the shoes of the foreigners, you would have a strategy to the way in which you passed on the tariff reductions. You would pass on the tariff reductions when the additional share of the market which you would obtain would earn more money for you than you would lose by passing on the tariff reduction. On those products where you did not feel you could obtain a sufficiently greater market share by passing on the duty reduction, you would retain the profit and use it in other areas where you are trying to obtain a larger share of the U.S. market—to finance price cuts in addition to the substantial tariff reductions.

Thus, these deals will give our foreign competitors both the ability and the incentive to cause serious economic injury to our industry. It is clear that their ability to sell in this market will be largely a function of their abiilty to develop the productive capacity necessary to do so. Given the large amount of profit which they would be able to make as a result of their inherent cost advantage and with the largest chemical market in the world available to them, there can be little question but their already rapidly expanding capacity could continue to expand at an even more rapid pace.

*Summary of economic effect*

I think that in the light of these figures and the independent analyses I referred to earlier it is readily apparent that chemical imports will continue to increase rapidly. As mentioned at the outset, even under the current ASP duties, imports have increased an average of 18% a year from 1960 to 1966, with the increase in recent years being even higher. The U.S. share of the export market has fallen from 29.5% in 1960 to 23.7% in 1967. In 1960 $1 out of every $9 of new capital expenditure by the U.S. chemical industry was made abroad, but by 1967 the industry was putting $1 out of every $3 of new capital expenditures into plants abroad. The potential effect of unreciprocal tariff reductions upon our industry can only serve to accentuate these trends.

What then will be the effect on these chemical "deals" upon the domestic chemical industry, its workers and the balance of payments position of the United States?

*Industry.*—The large diversified chemical companies—Dupont, Monsanto, American Cyanamid, *et al*—*will not* go out of business, but they *will be* seriously affected and will have to adjust. They *will* have to stop production of a number of products—they have already begun; they *will* have to close some plants—they have already begun. They *will be* forced to still further expand the investment in lower cost facilities abroad not only to remain competitive in foreign markets, but in order to remain competitive in the United States' market.

The economic effect upon the smaller companies *will be* considerably greater. Without the benefit of the resources or the diversified product lines of the larger companies some of them *will* be forced to close up shop. Others, with a stronger marketing position *will* eventually stop manufacturing in this country, begin importing or be absorbed by larger firms.

*Labor.*—There *will not* be any fewer workers in the chemical industry next year or the year after than there are this year, but the effect upon labor will be considerable. There *will be* fewer new jobs for American workers created by the chemical industry than there have been in the past. The chemical industry *will not* be able to make a contribution in the future as it has in the past to the hiring and training of the 5 million new workers which must be put to work each year. There *will be* American chemical workers who will lose their jobs or have to relocate or be retrained—but that's what adjustment assistance is for. There *will* be hundreds and eventually thousands of jobs exported by the chemical industry each year which would otherwise have been created in the United States.

*Balance of Payments.*—The chemical industry *will not* have a balance of trade deficit next year or even the year after, but its contribution to the United States balance of payments will be seriously affected. There *will be* an even more rapid rise in benzenoid chemical imports and in chemical imports generally. The chemical industry *will* continue to lose its share of the world market and thereby further injure our balance of payments. The chemical industry *will* be forced to invest as much in lower cost facilities abroad as the law will permit. Chemical exports *will* continue to expand, but at a much slower rate. The chemical industry *will* each year make less and less of a contribution to our balance of trade until by 1975 we will actually have a trade deficit.