Competitive Index (balance of trade as percent of total foreign trade) for benzenoids would drop from a positive 71 percent in 1968 to a negative 17 percent in 1975.

This was done on a most conservative basis. It assumed that there would be a 50-percent reduction in the tariffs by the United States and a 50-percent reduction in tariffs by our trading partners. These figures do not include calculation for the increase in imports into the United States that would result from cuts in excess of 50 percent of the U.S. tariffs, which would be required by the "separate package."

Moreover, these projections do not take into account the effect on U.S. trade of increasing European border taxes and export rebates.

In reality, therefore, we must expect the 1975 deficit in benzenoid trade to be greater than the $282 million projected, and the U.S. Competitive Index to be correspondingly more unfavorable.

There is another factor which will compound the damage to our balance of payments in the benzenoid sector. There is a clear and direct connection between tariff concessions and the future flow of investment capital for expansion and construction of benzenoid chemical production. With newly lowered tariffs promoting the U.S. importation of benzenoids, offering foreign producers the opportunity of a much deeper penetration into the American market, it appears obvious that for those producers it would be more often advantageous to expand or build at home rather than in the United States.

The resulting highly improved competitive position of foreign manufacturers would inevitably lead American producers to seek lower cost areas for the location of new productive facilities, to allow them to compete in foreign producing countries, "third" countries, and even in the American market. This, of course, involves not only the capital outflow, but a resulting increase in imports in place of domestic production. And we are speaking of magnitudes which are significant.

Our estimates suggest that annual free world consumption of benzenoids will increase by some $4.2 billion by 1975 requiring additional capital investment of $4.6 billion. Thus, the stakes are great, over $500 million of increased consumption and a similar amount of new investment each year. Whether that consumption is supplied from abroad or from the United States will have significant impact on this country's balance of payments.

Not only will the U.S. balance of payments suffer from the impact of the Kennedy round agreements on benzenoids, but from certain changes in nontariff barriers to imports, which have been explained. With the knowledge of our negotiators, with our balance of payments in serious difficulty and in need of relief from the trade sector, the Kennedy round agreements and the "separate package" were negotiated while EEC border taxes were being "harmonized." The result of this has been not only to offset some of the concessions granted by the Europeans, but in many cases to create a total EEC barrier to entry on benzenoid products higher than that which existed prior to the beginning of the negotiations. This is clearly not reciprocity.

For example, let us examine the trade consequences on an important benzenoid like styrene, between the United States and the Netherlands. Prior to the Kennedy round negotiations the total U.S. barrier to imports of styrene from the Netherlands amounted to 4.2 cents per pound