

has included \$65.6 million or 97% of these sales. In the case of \$36.7 million, or 56% of these sales, EEC duties are outside the special agreement and unaffected by it. Most importantly, these are man-made fibers and polychloroprene synthetic rubber.

Of the remaining \$28.9 million of our exports to the EEC, we have concluded that \$26.6 million⁴ would be unaffected by lower EEC tariffs for several reasons.

1. \$8.5 million are intermediates for use in our own plants abroad, the volume of which will be entirely dependent on expansion of sales in Europe of the finished product manufactured therefrom.

2. \$3.1 million are products which have already been granted special low duties by the EEC which would not be affected by the special agreement if implemented.

3. \$5.4 million comprise agricultural chemical products and other products now being manufactured in Europe. Expansion of our agricultural chemical products exports is effectively limited by the foreign patent laws. Many European countries require local manufacture or compulsory licensing, which effectively prevents exporting from this country on a continuing basis. Export sales of the remaining products now manufactured in Europe will be insensitive to duties and foreign manufacture will be preferred for reasons of service and local product demands.

4. \$6.4 million of our export sales comprise products where our market position is such that we have found by experience that price reductions are immediately met by local large producers, so that lowering our EEC prices by the amount of any foreign tariff reduction would not result in expanded volume.

5. Another \$3.2 million comprises specialty products not competitive with any produced in the EEC or with distinctive quality advantages over their European counterpart. Price is not the primary factor in the sale of such products and price reductions of the magnitude allowable by duty reductions have not proved in the past to have stimulated exports.

This leaves a total EEC export volume of about \$2.3 million, where our studies lead us to believe that sales would be stimulated further by duty reductions. These comprise only about 3.5% of our 1967 exports. In addition, we reviewed products we did not export in 1967 to determine whether we could expect that export sales of them might be stimulated by the duty reductions; we found no basis for such an expectation.

It is therefore our reluctant conclusion that Du Pont export sales growth stemming from EEC duty reductions envisioned by the special Geneva agreement on chemicals would be very small indeed.

This typical analysis,⁵ based on our detailed studies, has convinced us that insofar as Du Pont is concerned, implementation of the special Geneva agreement on chemicals will not substantially increase our export sales nor importantly enhance our competitive position in world markets. These conclusions are in sharp disagreement with those of our negotiators, and we must ask the simple, but serious question—how will the United States, the domestic chemical industry, and Du Pont, gain from implementing the special agreement?

Part 2. Impact on Du Pont of loss of American selling price

As a result of the Kennedy Round negotiations alone, Du Pont estimates that on an annual basis it will suffer the loss of about 12% of its 1967 earnings by the time of the completion of the Round. The major factor is the effect of increased import competition from Europe and Japan and the concomitant loss of position in domestic markets and increased price erosion resulting therefrom.

The situation is serious enough in its direct impact on our Company operations. However, the problem does not end there since tariff reductions were negotiated on our customers' products. Under these circumstances, our customers and their customers in turn have to make adjustments to new competitive situations. As a result, we expect serious business problems in adjusting our manufacturing operations. We expect dislocations to occur in important segments of our business and probable discontinuation of some products.

Du Pont believes that implementation of the special Geneva agreement on chemicals, including elimination of the American selling price method of customs valuation (ASP), can only aggravate the problems resulting from increased

⁴ See Exhibit 3, which lists the products involved.

⁵ See Exhibit 4, which sets forth a comparable analysis of Du Pont 1967 export sales to the United Kingdom.