

are not imported today because the existing tariff is a deterrent. The conclusion reached is that most benzenoids manufactured by Monsanto will be subjected increasingly to price depressing imports under the double effect of the Kennedy Round tariff cuts and the loss of ASP.

As a result of the higher U.S. manufacturing costs and tariff cuts made in past GATT trade agreements, Monsanto already has experienced serious difficulties with some of its more complex organic products, most of which are benzenoids. Several examples will serve to illustrate these difficulties. Monsanto was forced to discontinue production of caffeine due to imports. A relatively new plant making cyclamates, which are companion products to saccharin as synthetic sweeteners, was shut down. An operation in Massachusetts producing H-acid, a dye intermediate, has just been shut down due to import competition, resulting in a loss of 32 jobs. The price of other products has been dropped as a result of the first Kennedy Round tariff cut of January 1, 1968. An increasing number of products will be affected as each subsequent tariff cut takes effect.

For competitive reasons, it would be inappropriate to detail the price cuts anticipated by Monsanto due to import competition or to specify the products which we are likely to discontinue when they become unprofitable or when imports supply a dominant share of the total U.S. market.

It has been said by those advocating tariff cuts and the elimination of ASP that the price attrition which leads to lower profits and even the discontinuance of manufacture is beneficial. This philosophy is often justified by incorrectly describing such problems as a healthy obsolescing of old products. To the contrary, the loss of American production of import-affected products is not a natural and beneficial result of a constantly changing world. Although Monsanto operates in an industry particularly noted for its innovation and adaptability to change, we are convinced that any such rationale must be challenged.

The many products for which Monsanto has calculated serious price and profit deterioration and even plant shutdown are by no measure decadent products. In nearly all cases, the sales volume of such products is growing at the same pace as for others in the chemical industry. These products should remain in the U.S. mix of products contributing profits to a benzenoid industry which must produce new products in the future. Without profits from established products, there will be a limited capability of providing research and development money for innovation in the benzenoid area.

One of the most illustrative examples of the need for Monsanto to continue manufacture of benzenoids made cheaper abroad is in the category of its fine and food chemicals. The manufacture of certain of these chemicals has been discontinued; others are under serious price attrition, all as a result of an increasing flow of imports. What was just a few short years ago considered to be one of our most promising product groups for new product development has been subjected to serious import pressures which will undoubtedly hold down the scope of our future efforts for such products.

Although the Kennedy Round tariff cuts are *not* the primary subject of this hearing, they must be considered in analyzing the effect of loss of ASP. Much of the impact described above on Monsanto's benzenoids will result from the Kennedy Round tariff cuts alone, particularly from the last reduction stages. Our studies show that duty cuts due to the loss of ASP will be serious because they will occur *in addition* to the other cuts. Tariffs will already be so low that access to imports will be more certain.

An example of this problem involves a well-known product, aspirin. Aspirin imported in 1967 would have been dutied at 17.2 cents per pound. In 1968, after the first Kennedy Round cut, the duty is 1.7 cents per pound lower, or 15.5 cents per pound. In 1971 after the Kennedy Round tariff cuts are completed, the duty will be 8.6 cents per pound. We expect imports to become sufficiently significant to inhibit the growth of aspirin production in the U.S. If ASP is eliminated, there will be a *further* duty reduction of 2.7 cents per pound of aspirin and its impact will be certain because it is a reduction additional to that already affording imports a share of the U.S. market.

While most benzenoids will experience lower duties if the separate agreement is ratified, some benzenoid products will actually have somewhat higher duties if ASP is eliminated. The effect of the limited number of cases where higher duties occur is minimal.

To sum up the negative effect of H.R. 17551, Monsanto is convinced that resulting imports would seriously undermine the economic health of its benze-