The CHAIRMAN. Mr. Franko.

Without objection Mr. Franko's statement, if he is not here, will be made a part of the record.

(The following statement of Joseph J. Franko was received for the record:)

STATEMENT OF JOSEPH J. FRANKO, TREASURER, B. L. LEMKE & CO., INC.

Mr. Chairman, members of the committee, ladies and gentlemen, my name is Joseph J. Franko; I am Treasurer of B. L. Lemke & Co., Inc., of Lodi, New Jersey. Our Company manufactures fine and medicinal chemicals as well as organic intermediates. Most of these are considered essential to the nation's health, defense and space programs. We are typical small business, with sales of about $2.25 million and 65–70 employees.

THE PROBLEM OF PRICE EROSION

We realize that competition is good for business and good for the consumer, but when imports reach about 50% of U.S. production and when we have to lower our selling price again and again to hold on to whatever share of the domestic market we have, this is neither fair nor sound competition. I am sure I don't have to elaborate on the rapidly rising costs of doing business. When costs go up, the established procedure is to raise prices.

Even those newspaper and magazine publishers, who are ardent supporters of a free-trade policy, realize that they cannot stay in business without offsetting increased costs with higher charges: over the past 4–5 years most publishers have increased their advertising rates 30–35%.

The Government too, has found it necessary to raise charges; postal rates have gone up and so has the cost of books put out by the United States Printing Office—in some cases by as much as 100%.

The question I am now raising is why we, in the benzenoid chemical business, are not allowed to make a reasonable return on our investment. For a number of years we have been spending 20% of our net worth for new equipment to increase plant productivity but it is a hopeless struggle when squeezed at both ends, that is by rising costs on one hand and declining selling prices on the other.

RAPID INCREASE IN IMPORTS

To show you what is actually happening to our business let me cite you a specific example: In 1952 there were six domestic manufacturers of Procaine Hydrochloride. This is our most important product and one that has been classified as essential by the Defense Department. This number of producers dwindled to three in 1960 and now in 1968, we are the only domestic producer left. *Imports were 5 pounds in 1958, 122,130 pounds in 1963, and 478,000 pounds in 1966.* This is more than 50% of U.S. Production.

Of considerable interest is the fact that this rapid and extraordinary increase in imports took place long before the Kennedy Round tariff reductions went into effect. (The first 10% installment became effective in 1968.) There are four more reductions to come and now the Government is considering the elimination of the American Selling Price System. This, frankly, would put us out of business.

NATIONAL SECURITY IMPAIRED

Free-traders hold the view that if American producers are not competitive in a certain field, we should leave the manufacture of whatever products are involved to foreign producers. How the dependency on foreign sources of supply would affect our national security, is best described by George W. Ball, the honorable and distinguished Undersecretary of State, now Ambassador to the United Nations. Let me quote from his recently published book—"The Discipline of Power.":

> "Now it should be perfectly evident that to press the Soviet Union toward autarky makes no sense from the point of view of the West; *instead we should encourage Moscow to become dependent on us for certain necessary products.* That is the way one breaks down barriers; advantages would accrue to both sides in a better utilization of resources, *and from the military point of view the Soviet Union would be less able to wage a protracted*