

steadily, falling from \$4.6 billion in 1966 to \$4.1 billion in 1967, and the month of May has shown a trade deficit for the second time this year.

Repeal of ASP would further deteriorate the U.S. trade balance which the U.S. economy cannot afford. It is estimated that the Kennedy round concessions on benzenoid alone will cost the U.S. balance of payments one-half billion dollars over the 8-year period to 1975.

President Johnson in his message to Congress of May 28, 1968, said: "A successful trade policy must be built upon reciprocity."

His trade bill, however, does not offer reciprocity. He is asking Congress to repeal the ASP nontariff barrier while other countries are erecting higher and more sophisticated nontariff barriers to trade. While small companies such as mine have almost been bled to death by the unreciprocal Kennedy round agreement in benzenoids, President Johnson is asking Congress to repeal ASP, which I am convinced will deliver the final blow to the business of my company and many other chemical companies of similar size.

In addition to the threats to the survival of my company posed by the Kennedy round tariff cuts, we have to contend with the rising growth of foreign cartels in benzenoid chemicals which are often not only permitted by foreign governments but these cartels are actually given active aid and support by those governments.

The latest figures available for the concentration of dye production for the main dye producing countries are shown in table 1 on page 12 of my written statement which has already been submitted to the committee.

This table clearly shows that there is much more concentration of production among the major foreign producers than there is among U.S. producers. The production of these foreign producers is much more rationalized or cartelized than in the United States.

I would also like to point out that a report by the U.S. Tariff Commission states that—

Foreign dye producers supply (through imports or production in their U.S. plants) about one-third of the U.S. dye market (in terms of value) . . .

We at H. Kohnstamm & Co. wish to make the following recommendations:

1. Maintain the American selling price system as a method of customs valuation for benzenoid chemicals.

2. Propose that a panel of Government officials, business leaders, and labor leaders investigate in detail the effect which repeal of the ASP would have on U.S. trade balance, the overall U.S. balance-of-payments position, the U.S. gold drain, and the present dollar crisis.

3. Request that a conference of GATT member nations, preferably under the auspices of GATT, convene as soon as possible to negotiate on all nontariff barriers to trade in detail.

This should include border taxes, secret buying by foreign governments, export rebates, import quotas, TVA, and other national taxation systems, cartels, and the many other nontariff barriers to trade.

4. Investigate methods by which the executive branch of Government can aid and encourage the formation of Webb-Pomerene associations, particularly by small companies, so that they may adequately compete with cartels in the export market.