(*j*) 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.

In conclusion, I with to point out that what we are faced with in dealing with this proposed legislation is not a choice between either protectionism or free-trade, as many argue. We are faced with a choice of whether we are going to establish a realistic program which will expand trade and encourage economic competition or whether we are going to permit the old order of international cartels and monopolies, which operated before the Second World War, to be reestablished.

Vested interest groups, particularly in Western Europe and Japan, are seeking to return to the old ways. They are seeking to return to the old order of cartels, control over technological progress and the establishment of private world monopolies (often with the aid of their governments). The elimination of the ASP system would help them to achieve these goals.

The United States cannot afford to eliminate its ASP system while industrialists in other countries maintain their non-tariff barriers to trade and systematically add to them. An example where new barriers have been raised to U.S. exporters is the tax-on-value-added (TVA) harmonization program of the European Common Market. West Germany on January 1, 1968 switched over to this TVA system from its previous turnover tax system which has raised border adjustments from about 6% to 10%. By January 1, 1970, all European Common Market countries have been directed to switch over to the TVA system. France has already been using a TVA system for quite a long time. Meanwhile, Belgium, Italy and the Netherlands are raising their export rebates and import charges as a means of changing over to the TVA system. Thus, more and more barriers are being raised to U.S. products.

The United States is the largest trading nation in the world and is in a position to prevent the reestablishment of the old order. It must insist on reciprocity. President Johnson was right when he said in his message to Congress on May 28, 1968 concerning this pending ASP legislation that "Trade is a two-way street. A successful trade policy must be built upon reciprocity." There was not, however, reciprocity in the Kennedy Round when U.S. tariff duties on chemicals were agreed to be lowered 50%, while the European Common Market and the United Kingdom only lowered theirs 20%. There will not be reciprocity if the U.S. eliminates its ASP non-tariff barrier while other countries erect higher and more sophisticated non-tariff barriers to trade.

If the ASP system is eliminated without reciprocity, the United States will have lost its trump card in dealing with the guardians of the old order in Western Europe and Japan. These guardians of the old order will be able to reestablish their industries along the lines of the *Zaibatsu* and the *Interessengemeinschaft* which existed before the Second World War. They will be able to gain control over trade and economic progress through secret government buying, national taxation systems, export rebates, border taxes, import quotas and numerous other non-tariff barriers to trade.

If the ASP system is eliminated, foreign cartels will be able to under-sell U.S. companies in many benzenoid chemicals, eliminate the competition of U.S. companies and, as a result, curtail U.S. advances in technology vital for the national defense. Once U.S. competition is eliminated the cartels would be free to set high prices and the U.S. consumer will be the loser.

Let us consider now the question: Why should an ASP system be applied to benzenoid chemicals (unlike the tariff system which is applied to most other products)? The answers are:

(*a*) There are wide variations in the prices of benzenoid chemicals among foreign countries producing them, so that use of the usual foreign price (or export value) system would make it difficult to base tariff duties.

(*b*) There is a very delicate economic balance for U.S. benzenoid producers in which they have to manufacture many co-products which may not be in demand. This results in only a relatively small number of products bringing in the bulk of the profits. A large increase in imports (which can be expected if the ASP system is eliminated along with the Kennedy Round tariff cuts already in effect) can break this delicate economic balance and make a complete line of products uneconomical.