

(c) Many benzenoid chemicals are made by batch processes, which make their production labor-intensive. As a result, the lower labor costs in foreign countries puts U.S. producers at a disadvantage when competing in world markets.

(d) If the ASP system is eliminated, research in the benzenoid area will be reduced which will have an adverse effect upon the national defense and the health of the nation.

(e) There has been a dangerous growth in the formation of foreign cartels in benzenoid chemicals in the past few years. The anti-cartel laws which were passed soon after the Second World War in Western Europe and Japan, due to the liberalizing influence of the United States, have been eroded.¹⁵ The most obvious example of such erosion is the official Japanese Government cartel for synthetic dyestuffs which has already been operating for several years.

The questions which get at the crux of the whole ASP issue with regard to benzenoid chemicals are: (1) What makes the benzenoid chemicals so special? (2) Why is elimination of ASP system such an emotionally charged issue for European and Japanese benzenoid producers?

The answers are: (1) Benzenoid chemicals are special because they provide the broad technological base from which many of the most important chemical developments can be expected. (2) Elimination of the ASP system has become such an emotionally charged issue for the Europeans and Japanese because they see in it an opportunity for their rising cartels to control future chemical markets.

A case in point is the means by which the German international chemical cartel I. G. Farben developed. I. G. Farben was first based on a cartel for dyestuffs. It was later expanded to include other benzenoid chemicals (e.g. benzenoid organic pigments, benzenoid pharmaceuticals, benzenoid plastics, benzenoid synthetic rubbers and benzenoid synthetic detergents). From this economic and technological base, I. G. Farben was able to develop the synthetic rubbers, explosives, synthetic oil, synthetic gasoline and other products which it provided for the German war-machine during the Second World War. It evolved into a cartel empire which embraced 379 firms, in Germany alone, through direct or indirect participation.¹⁶

Former U.S. Attorney General Thurman Arnold explained why the United States was so ill-prepared at the beginning of the Second World War when he pointed out the following to a Special Senate Committee over which Harry S. Truman presided as Chairman:

"It is impossible to accomplish the purpose of a cartel, viz., to maintain high prices and to keep a tight control over the market and to eliminate independent competition without restricting production. Now, not only is production restricted but experimentation is restricted. These world cartels have made us dependent upon foreign nations for many of our most vital supplies by preventing production at home."¹⁷

Thurman Arnold underscored our past mistakes in dealing with international cartels. I sincerely hope that we have learned from the past and that we will not repeat our mistakes. If we have not learned from our past mistakes, the United States and the underdeveloped countries will be the main losers. International cartels will take over control of numerous technological areas and stifle trade, just as they did before the Second World War.

The future of the 116,000 workers of the U.S. benzenoid chemical industry, the future of the entire U.S. chemical industry and the future growth of the overall U.S. economy lies to a large extent in the hands of this Committee. The conditions of our time require that the ASP system be maintained for benzenoid chemicals and products.

Mr. Chairman and members of the Committee, thank you very much for your attention.

The CHAIRMAN. We thank you, Mr. Meltzer, for bringing your statement to the committee.

Mr. MELTZER. Thank you.

¹⁵ Corwin D. Edwards, *Cartelization in Western Europe* (Washington, U.S. Dept. of State, June 1964); Corwin D. Edwards, *Control of Cartels and Monopolies* (Dobbs Ferry, N.Y., Oceana Publications, Inc., 1967).

¹⁶ U.S. Senate Hearings, *Loc. cit.*, pp. 1156-1164.

¹⁷ U.S. Congress. Senate. Investigation of the National Defense Program, Part 9, S. Res. 71 (Washington, 1942), page 4308.