the best judgment of our marketing staff, to what extent a 50-percent reduction in the converted duty would result in lower prices and loss of sales.

The products chosen for this analysis included items of varying degrees of profitability. Our analysis was in accord with predictable market conditions and our past experience. The startling result was that the profits from the business would drop roughly 80 percent from the Kennedy round alone.

In a number of respects, our analysis is conservative, that is to say, we would incur a loss of profits greater than indicated. For example, many of our dyestuff and pigment products are specialty items, and are even more sensitive to price and volume changes than our regular line of products. In addition, we did not assume that foreign producers would lower prices to the full extent of the duty reduction on medium- and low-profit items.

We hardly have to consider the question of what our future in the dyestuff and pigment business is going to be like if the American selling price basis for tariff valuation is abandoned. But for the record, let me say that the business, as it is constituted today, would no longer turn a profit.

As in most progressive and changing businesses, we have always had to pay attention to dropping unprofitable products and bringing new products into the market. The cut in the tariffs that has already occurred as a result of the Kennedy round, and the prospect of the cuts yet to come, have caused us to greatly accelerate the elimination of dyestuffs and pigments from our line.

I wish I could also say that there has been a corresponding increase in the addition of new products as well. But the development of something new is seldom dependent upon the urgency of the moment. The process is expensive and time consuming and one can only afford to pursue it at all if the promise of return is attractive.

In the event the American selling price system is discarded, much more drastic moves would have to be made in order to survive in the dyestuff and pigment business. The most obvious such move would be to abandon much of our domestic manufacturing operations. We would then have to try to put ourselves in the most advantageous position possible as a reseller of foreign producted goods. Failing in this, we would be forced to establish manufacturing facilities abroad.

I wish we could believe and say that GAF's business will be enhanced as a result of the reductions in tariffs by other countries. But the facts will not allow us to do this. Our exports of dyestuff and pigment products represent but a few million dollars and they are rapidly decreasing. We are not able to compete with the prices offered by foreign producers. Our relatively higher cost, and not foreign tariffs, is the principal bar to our export activities. Hence, the 30-percent foreign tariff cut in return for the separate package is not going to enhance our export position.

We at GAF are not protectionists. We are an international company with subsidiaries and affiliates in many parts of the world and we think of ourselves as free traders. But we must be practical in this matter. We are in business to earn a profit for our shareholders, provide income and security for our employees, and to supply products to our customers.