competitors have also built modern plants. Efficiency is no longer an American monopoly, while on the other hand, foreign labor costs are impossible to match, and price fixing is out of the question.

Although the trend is already too clear, the Kennedy round agreements to reduce tarriff protection by 50 percent will undoubtedly accelerate it. The selling price of imported BON is already at or slightly below the production cost of the domestic product, but some domestic customers are willing to pay the slight differential because they are reluctant to sacrifice the assurance of a regular domestic source. The Kennedy round reductions will widen the gap and make the struggle that much more difficult. The Kennedy round reductions alone, without dropping ASP, would facilitate reduction of that price to at least 10 cents per pound under our cost.

Adding on top of it, however the elimination of ASP as the basis for duties, and substituting foreign value would widen the gap to the point that no U.S. customer of BON could afford to pay the differential in order to preserve his U.S. source of supply. Foreign produced BON could then be sold within the United States considerably below present cost. And this doesn't take into account such other relevant factors as Germany's increased export rebate. The point is that elimination of the ASP standard would by itself have a disastrous effect on the salability of domestically produced BON within the United States. Under these circumstances domestic competition would become impossible, and the United States, including defense production users, would be at the mercy of foreign producers exclusively. Domestic production of BON for export, of course, is already impossible. Elimination of the U.S. domestic market would thus eliminate all U.S. production of BON.

The end result should not be underestimated. Production of end use products based on BON as the key intermediate product amounts to almost $30 million annually. With foreign producers of BON able to control their prices, by virtue of their cartel or monopoly positions in their own countries, the price of imported BON, no longer facing domestic competition, could eventually surpass current levels by a wide margin. The former domestic producers, however, having made the painful transition to other fields, if they were able to make that transition at all, would not be inclined to incur the large capital investment required to reconvert their production facilities back again. The higher prices would be here to stay.

And because of BON's status as an intermediate product, there would be a multiplied effect on the economy far transcending the effect on the particular companies that currently produce BON. In short, it would affect the cost of production of all the end products that utilize BON, and this would in turn affect the price paid for all of these products by the American consumer. Moreover, any change in price of these end products would in turn affect their ability to compete effectively with their foreign counterparts, both at home and abroad.

While I have concentrated my remarks primarily on BON, because of its importance to Pfister, BON is by no means unique. The same basic problem of which BON is merely illustrative, faces the entire benzenoid chemical industry.

The benzenoid chemical producers in the United States include both large and small manufacturers. The large manufacturers include Du Pont, Carbine, Monsanto, Allied, Dow, and American Cyanamid.