

culating the ratio of the dollars of value added to the dollars of employee cost. Comparing companies with substantially the same product line, Japanese chemical companies have the highest productivity with a ratio of 3.03, followed by Germany with 2.55, United States 2.00, and United Kingdom 1.70 ("Financial Comparison of World Chemical Companies"—C. P. Neidig—Financial Analysts Journal, January–February 1968).

Labor, most other elements of cost, and other factors such as rationalization of production by foreign competitors have long since placed European chemical companies among the leading international traders of chemicals. Long a lawful business practice on the Continent, the dividing of production among competitors has recently been proposed by the Government of the United Kingdom as justified and desirable (Chemical Age 1968, May 11, p. 12).

Domestic industry has not been able effectively to overcome these advantages held by the foreign producers.

For example, in 1966 exports of dyes from Germany were 61 percent of the value of the dyes produced there; from the United Kingdom 49 percent; from Switzerland 112 percent. Switzerland exports more than it produces because its exports include some imported dyes. By contrast, the United States exported only 8 percent of the dyes which it produced in 1966 (The Chemical Industry 1966–67, Organization for Economic Cooperation and Development, table 7, p. 103). Cyanamid's own experience has been less than the U.S. average, with only 3 percent of its annual dyes sales derived from exports.

It is not surprising, therefore that imports of benzenoid chemicals into the United States showed a remarkable increase during the 1960's (exhibit III). These large increases in imports occurred before the tariff reductions made in the Kennedy round.

IMPACT OF KENNEDY ROUND REDUCTIONS IN DUTY

It is not possible for a businessman to predict with certainty what his competitor will do. But considering that the foreign benzenoid chemicals producer is already being given in five equal stages, starting January 1, 1968, a 50-percent reduction of tariffs, the foreign producer may take any one or more of the following three steps:

1. Reduce his export prices to the United States in an amount corresponding to the amount of tariff reduction;
2. Maintain previous prices and pocket the added profit resulting from reduced tariffs;
3. Maintain previous prices and use the added income to increase advertising, sales manpower, technical service, and other selling pressures in the United States.

Based upon previous experience, Cyanamid expects that the major reaction at least by some foreign producers will be price reduction. Domestic suppliers, in order to remain competitive, must also reduce prices. The net effect of this interplay of competitive factors will be overall price reduction. There have already come to our attention since the 10 percent reduction in tariff on January 1, 1968, several examples of reductions in price of imported benzenoid chemicals: