

major research and development program. Our Chicago output is sold in the commercial market place and is also used in the manufacture of our coatings.

Sherwin-Williams is a member of both the Synthetic Organic Chemical Manufacturers' Association and the Dry Color Manufacturers' Association. We are in full and complete agreement with the position adopted by these two groups on Title IV of H.R. 17551.

In September 1966 our company appeared before the Tariff Commission and indicated "We anticipate being completely forced out of the Benzenoid Intermediate and pigment business by foreign producers in most areas of current activity" if there were a 50% cut in tariff rates and if the American Selling Price method of tariff evaluation were eliminated. The 1966 statement still represents the position of the Sherwin-Williams Company. During the 1966 Tariff Commission hearings our cost and profit figures were submitted on a confidential basis to strengthen and justify our testimony at that time. These figures indicated that our Intermediate business would operate at a pre-tax net loss and that our organic pigment business would produce a net profit of less than one quarter of one per cent. It was, and still is, obvious that we must not invest our stockholders' money in enterprises carrying such a return.

As a result of the conclusion of the Kennedy Round we are now faced with a 50% cut in tariff protection in the products which we produce. This has led us to re-evaluate many of our current Benzenoid activities. Several promising research projects have been halted and we have decided that substantial quantities of equipment will not be replaced when it outlives its utility. Other programs have been curtailed. These have been painful decisions for our management but they inevitably follow from a careful assessment of our ability to compete with low-cost overseas producers of labor-intensive products. Elimination of A.S.P. will certainly aggravate our current problem and lead to further curtailment of our Benzenoid program.

As we see the alternatives, in most cases we must either cease the production of our products and import from overseas or else we must invest our capital overseas to produce Benzenoids for the U.S.A. markets. In either case the effect on the nation's balance of payments is harmful.

Ambassador Roth has offered the opinion that under the separate package there will be "An exchange for fair and new opportunities for growth in the industry affected." For many years Sherwin-Williams has maintained a chemical export sales group for products manufactured by us. This group has carefully considered the opportunities which would follow from the implementation of the Benzenoid separate package. The results of this study clearly indicate to us that there is no significant advantage in our export efforts. In too many cases the reduction projected in foreign tariffs is more than offset by increases in turn-over taxes and other non-tariff barriers in foreign markets.

Our conclusion is that the adoption of the separate package will be a severe blow to the health of our Benzenoid operations with no compensating advantage to us in our export efforts. In view of this we urge the House Ways and Means Committee to recommend that the Congress maintain the American Selling Price system of customs evaluations on imports of Benzenoid chemicals.

(Whereupon, at 1:01 p.m., the committee adjourned to reconvene at 10 a.m., Monday, July 1, 1968.)