that he sees. The Germans do not see the U.S. market as clearly as the U.S. manufacturers.

Therefore, when Germany introduces a new product—

Mr. BYRNES. They are not completely unsophisticated as to the American market. Don't tell me that.

Mr. STOBAUGH. I am not suggesting they are.

I am suggesting if you look at the German new product, such as Germany commercialized polystyrene, synthetic methanol, synthetic phenol, all of those were introduced in the German market first. Those that we commercialize we introduce in this market first.

So that there is a very strong tendency for manufacturers to introduce new products in their own market first.

Mr. BYRNES. They also can visualize other markets, but your point is here that the only people that really have the advantage of looking at the American market are the American manufacturers. I just couldn't see that emphasis frankly.

Mr. STOBAUGH. I certainly agree that new products are introduced in Europe even though some new products are invented in Europe but commercialized here because of the large market.

Some of those are commercialized by U.S. firms here. There are cases on record where product was discovered by a United Kingdom firm and they did not commercialize in the United Kingdom. They exported it to the United States. They waited until the United Kingdom market got larger and then commercialized it there.

In the meantime a U.S. firm learned what was going on. I don't know whether they got it from intelligence from England or whether they did independent work, but, anyway, they introduced the product here to the U.S. market.

Now, I am not suggesting that new products aren't introduced abroad because they are. What I am suggesting is that the U.S. market is five times as large as Germany's. It is one and a half times as large as the whole Common Market combined, and that large market and high-purchasing power gives the United States an inherent advantage on new product introduction and it is taking advantage of that inherent advantage.

Mr. BYRNES. I was under the impression that it is more a normal aspect of business in the United States to put a high proportion of their resources into research than it is in other areas of the world.

You seem to be putting so much emphasis on the point that it was the market that caused this, and yet it seemed to me that this expenditure results from business judgment here—particularly in the chemical area—that you should be concentrating to a high degree on innovation and development.

Do you want to respond?

Mr. STOBAUGH. I would like to say that I believe that it is the market that induces this large amount of research and development expenditure and that it is good business to spend the money.

Mr. BYRNES. I wondered why you deemphasized the normal tendency to spend substantial sums for research and development here, and simply said we have a big market and are, therefore, going to have more products.

Mr. STOBAUGH. It is certainly not my intention to and in my detailed report I go into quite some detail on the importance of research and development.