Compared with the fate of the chemical industry in the Kennedy Round, the textile industry was handled in very gingerly fashion by our Government; and as everyone knows, the chief deterrent, for the present at least, to rising imports of cotton textiles is not the rate of duty but the continued operation of the Long-Term Cotton Textile Arrangement which aims but does not succeed in limiting imports of cotton textiles to an average increase of not more than 5% per year.

Benzenoid chemicals in batch process categories are, of course, more labor intensive than textile products. U.S. import duties on these chemicals were reduced a full 50% and the Administration has proposed an additional act, subject to Congressional approval, of changing the basis of customs valuation for benzenoid chemicals, the average effect of which would be to further reduce the amount of duties collected on import-sensitive categories such as dyes and pigments by approximately 30%.

Without question the balance of competition between foreign and domestically produced chemicals of the types sold to the textile industry are in the process of being drastically altered to the advantage of foreign producers. Not so well appreciated is the fact that the domestic market for these products, which will become a more fiercely contested battleground than ever before in view of the tariffs cuts just mentioned, is itself being severely contracted by the rapidly rising volume of textile imports in all fiber categories.

We begin our talk, then, by a brief look at current trends in the domestic consumption of textile products. We have expressed domestic consumption in pounds of fiber or fiber equivalent in order to eliminate the distortions produced by attempting to compare imported articles at low-wage foreign invoice values with domestic shipments at their comparatively inflated high-wage domestic prices.

Chart 1 sets forth the actual growth of domestic and mill consumption of textile fibers as well as that of imports and exports for the past 15 years and offers a projection of the probable trend for the next 12 years.

The facts of chief significance which emerge from this chart are these:

1. During the past 15 years domestic consumption of textiles has increased 50%, but exports have risen only 22% and mill consumption by 39%.

2. The largest component of growth in the past 15 years has gone to imported products which have increased in volume by nearly 400%.

3. By 1980 we expect domestic consumption of textiles to increase an additional 45%. We expect exports to rise by 96%. The dramatic fact is that we have projected mill consumption to grow by only 1% during the next dozen years. The reason for this is that our projections show that imports of textile articles will increase fivefold during the next 12 years, capturing virtually all of the growth in domestic consumption in the United States.

The data for these observations are attached as Table I.

What are the implications of these trends for U.S. manufacturers of dyes, pigments, and textile assistants, important classes of chemicals which are directly dependent upon the continued existence and growth of the U.S. textile industry?

Let us consider first the position of U.S. dyestuff producers.

To the extent that imported textiles consist of gray goods, if we set aside for the moment the question of what effect this would have on the economic health of the U.S. textile mill products industry, there is no loss to the potential U.S. market for dyes. Foreign-produced gray goods must be dyed no less than domestically produced goods. To the extent that the textile imports consist of dyed or printed fabric and apparel and other made-up goods, however, the imports represent a loss of market potential to U.S. dyestuff producers.

In our analysis, therefore, we have transferred imports of gray goods over to the category of demand-generating activity, along with domestic mill activity, as measured by mill consumption of fiber. Our investigations have shown, how-