

MEMORANDUM BY SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION
(SOCMA) CONCERNING TESTIMONY GIVEN IN SUPPORT OF THE "SEPARATE"
PACKAGE AGREEMENT

During the course of the hearings it was suggested that it might be helpful to the Committee if the parties involved in the ASP issue respond to the testimony presented on the other side of the issue.

SOCMA stands on the testimony and supporting documents it presented to the Committee. Time will not permit a detailed rebuttal of the testimony presented in support of the "separate" package agreement. Many of the deficiencies in fact and logic in the testimony presented in support of adoption of the "separate" package agreement were exposed by the members of the Committee in their questioning. Other such deficiencies are obvious on the face of the testimony and therefore do not warrant comment. However, there are some important deficiencies in fact and logic in this testimony which we believe it may be helpful to the Committee for SOCMA to offer some comment.

1. *Independent Economic Assessments in Support of the Government Position.*—In its testimony SOCMA cited a number of independent economic assessments including several from European sources indicating the serious adverse economic effect the chemical "deals" would have upon the domestic chemical industry. We then stated:

"While we have been unable to find any similar independent economic assessments supporting the Government's position [on probable economic effect] we would, of course, be pleased to have the Government cite some for us and for the Committee." (SOCMA testimony, p. 74)

In response to a question from the Committee concerning this statement, Mr. Haines, testifying on behalf of the Organic Chemicals Group of the American Importers Association, proceeded to cite "quite a number" of "independent economic assessments supporting the Government position." The "economic assessments" cited by Mr. Haines consisted of a sentence here and a sentence there taken out of context and with their meaning liberally interpreted by Mr. Haines.

Only one of these "assessments" purported to be an "independent economic assessment" of the chemical "deals"—the assessment made by Dr. James G. Tewksbury entitled "The Kennedy Round and the Chemical Industry". Mr. Haines chose to quote only two sentences out of this 14 page report. The rest of this assessment clearly and forcefully negates the implication obtained by taking these sentences out of context. A representative sampling of Dr. Tewksbury's report is as follows:

This paper will also suggest that the longer term economic consequences of free trade could be very serious for the U.S. as a whole as well as for U.S. chemical companies. If remedial action is not taken, U.S. balance of payments and employment may suffer severe losses. The fundamental problem is simple: the U.S. chemical industry will not be cost competitive. High labor costs in the U.S. will no longer be offset by high productivity, technological superiority, or other favorable factors. Add to this intentionally discriminatory trade practices and other disadvantages faced by the U.S. chemical industry vs. foreign competition, and the result is clear. Not only will exports decline, but major new inroads will be made by imports. In effect, the bleak economic consequence of free trade will be to export our high standard of living. (p. 1)

(d) *A Frightening Possibility.*—In the preceding sections, it has been pointed out that the U.S. faces many competitive disadvantages in world trade, with little or nothing to compensate. Average tariffs will be around 10% after Kennedy Round cuts, which is hardly enough to counter the combined effect of disadvantages.

If the trend towards free trade continues, and no action is taken to counter U.S. disadvantages in world trade, the likely consequences are frightening indeed. *In chemicals alone the current favorable balance of trade exceeds one-and-a-half billion dollars. If problems are unchecked this could easily turn into an unfavorable balance of twice that amount.* The net damage to U.S. balance of payments would approach five billion dollars per year, *a truly staggering sum.* Employment would be proportionately hard hit. It goes without saying that profit consequences would be extreme. (p. 12) [Emphasis supplied]