The Organic Chemicals Group of the American Importers Association have purposely sought to confuse duty increases on non-competitive imports and substantial duty decreases on competitive imports. While the duty increases will have little effect upon non-competitive imports, the duty cuts on competitive products will result in substantially increased imports. The attempt to imply that the duty increases on non-competitive products offset additional duty decreases on competitive products is extremely misleading. We believe the Committee would prefer to see the situation as it really is—as outlined in the SOCMA statement.

5. *Economic Effects.*—Mr. Stobaugh's testimony on the effects of the adoption of the "separate" package (Stobaugh Statement, p. 7) proceeds on several false assumptions.

First, Mr. Stobaugh assumes that there is no duty reduction as a result of the "separate" package. Here again he relies upon the averaging together of competitive and non-competitive products to come to this conclusion. We have already pointed out the invalidity of this approach in paragraphs 3 and 4 above. Consequently, his analysis does not show any increase in imports because he disregards the fact that substantial additional reductions in excess of 50% would be made on the vast majority of products produced in the United States.

Second, Mr. Stobaugh admits that his projections are based on "the assumption that the U.S. chemical industry will have access to petroleum raw materials at world market prices." (Stobaugh Statement, p. 3) As Mr. Stobaugh must know, the U.S. chemical industry currently has access to less than 15% of its petroleum raw materials at world market prices.

Third, Mr. Stobaugh counts on the ASP package to result in increased exports of new products and those made by continuous-process, large-scale plants. He appears to assume that the U.S. is the only country developing new products and with a sufficiently large market to support continuous-process, large-scale plants.

This is certainly not the case. The EEC is now one market and is certainly of sufficient size to support large-scale plants. Indeed, some of the largest chemical plants in the world are currently being built there. While the U.S. industry is proud of the new products it has developed, it certainly has no monopoly on innovation in the chemical field.

6. *Monopoly.*—Mr. Haines and Mr. Gates for the Government, sought to imply that monopoly conditions existed with respect to large numbers of synthetic organic chemicals. In a memorandum submitted by the Government, on pages 599–601 of the hearings, the Government lists the number of synthetic organic chemicals producted in 1966, by product category, and by number of producing firms. The Government table shows that 83% of these individual synthetic organic chemicals are produced by three firms or less, and that 58% are produced by only one firm. The Government does state in its accompanying memorandum that "in the aggregate such products [i.e. those produced by one firm] *probably* do not account for an equally large proportion of total production on sales of benzenoid chemicals." (Emphasis supplied). This is certainly an understatement.

While the synthetic organic chemicals manufactured by three firms or less accounted for approximately 83% of the total number of such chemicals produced in the United States, these chemicals accounted for only about 25% of the total value. Value figures for those products produced by only one firm are not available, however, we would estimate that it would be less than 10% of the total value. This is certainly not surprising in an industry such as the chemicals, with a wide range of small market products.

It is also interesting to note that a substantial portion of the products being produced by one firm are being produced in the United States by U.S subsidiaries of foreign chemical producers, including members of the Organic Chemicals Group of the American Importers Association. For example, we found that in dyes, foreign producers accounted for almost 30% of the total number of dyes produced in the United States by only one firm, almost 10% of the total number of pigments produced by only one firm, and almost 12% of the total number of intermediates by only one firm. This, of course, includes only products manufactured in the United States by subsidiaries of foreign chemical producers. It does not include the noncompetitive imports brought in by these firms for which they are the only producer abroad. If these products are included, we estimate that the percentages cited above would at least be doubled.