we have been moving for over three decades, even if not consistently, and toward which the logic of our overall national interest will direct our efforts. Because of the chemical industry's ranking on the technological totem pole of American industry, the industry should expect that free trade may come sooner for chemicals than for many other products.

One of the great strengths and, indeed, a special characteristic of the chemical industry and of the American economy in general is the ability to adjust to the challenges of change. The chemical industry has done this very well, but for some reason it puts on a public display of weakness when confronted with the prospect of new trade negotiations and with the lower tariffs and trade barrier concessions that have been negotiated. This reaction dates all the way back to the beginning of our liberal trade policy more than three decades ago. It is an industry position that grows increasingly strange with the passage of time. In the industry one can find executives who privately understand and endorse a national policy of freer trade and the need for the chemical industry to adjust to the reduction of trade barriers. They have confidence in the industry's ability to adjust to, and benefit from, free trade whenever it comes. But the industry as a whole and practically all chemical executives in their public positions have not brought their trade policy views up-to-date and into step with the industry's impressive strides in technology, economies of scale, and all-round resourcefulness.

The chemical industry as a whole strongly resists the recently negotiated elimination of the anachronistic "American selling price" method of customs valuation on imports of many benzenoid chemicals. This is a special and indeed unique import barrier that was established back in 1922. As the modern chemical industry grew by leaps and bounds, chemical executives in companies enjoying ASP protection should have assumed that this trade barrier would some day be withdrawn. Such an assumption should have taken increasingly deeper root when the trade agreements program became well-established national policy and particularly as the program gained momentum after World War II. Such an assumption should have been a major part of the trade policy premise benzenoid chemical producers plugged into their decision-making.

The negotiated elimination of ASP as part of a trade agreement in the national interest now confronts some producers with the immediate need to adjust to a contingency they should long ago have expected and planned for. If those who oppose the removal of ASP say they have not been making an effort to adjust to such a contingency, they expose themselves to strong criticism for serious negligence. If they claim they have been making such an effort but are not yet ready for such a change in U.S. import policy, they invite amazement that their companies' or divisions' technical and market strength lags so far behind the rest of the industry's dramatic performance.

As we all know U.S. tariffs have been coming down rather dramatically. As measured by the ratio of duties collected to the overall value of dutiable imports, the average U.S. tariff on dutiable goods dropped from 46.7% in 1934 to 12% in 1961—a little less than 75%. And with duties at the low point our imports of chemicals totalled only $1,090 million in 1967 as compared to exports of $3,209 million.

As tariffs have come down some chemical producers have claimed that they were being hurt. It is said by some economists that a tariff reduction does little good until it hurts. Let me illustrate this point:

Let us suppose that a not-too-important to our national security chemical is selling in Europe, and exported, for $1.00 a pound, but because of a $0.30 a pound tariff in the U.S. it sells here for $1.30. Now, let us conceive a gradual reduction of this 30% tariff. The price of the chemical in the U.S. goes down from $1.30 to $1.25 to $1.20 to $1.15. All through this whole process let us assume American production does not decline. American producers might be hurt in the sense that they would make less profits but they do not lay off workers and they do not go out of business. In this sense the American producers are not hurt.

Now, let us try to analyze what really has happened as the price came down. American producers keep producing just as much, but they get less for it. Meanwhile the American consuming industries are paying less for it. So, the loss of the producers in making less profit is balanced by the gain of the American consumers in getting the chemical cheaper. There is no significant gain for the American economy up to this point, so now let us mark the price down below $1.15. Let us assume that the tariff is eliminated and the price