Economic effect

The statement of the Special Representative for Trade Negotiations dealt at some length with the economic impact of the duty reductions on the United States chemical industry, and no purpose would be served by extensive repetition of that data in this statement. In summary, measured by every indicator, the chemical industry, including the benzenoid sector, has demonstrated remarkable growth and has outperformed the economy as a whole. It has demonstrated strength in international competition and will certainly be able to withstand import competition and benefit by the expanded trade opportunities created by the ASP package.

We have charted some of the significant statistics contained in the statement of the Special Representative which graphically demonstrate these points.

FIGURE I shows United States shipments and imports for the chemical and allied products industries as a whole. Whereas United States shipments increased by over $10 *billion* from 1962 through 1967, total imports grew by less than $200 *million*. The overall ratio of imports to consumption in 1967 was at a modest 2.5 percent. This, however, includes duty-free imports which are presumably not competitive with United States production. The ratio of dutiable imports to consumption in 1967 was only 1.4 percent. (See Table 1, STR Statement.)

The benzenoid sector is shown separately on FIGURE II. (See Table 2, STR Statement.) United States shipments of benzenoid chemicals grew from $2.6 *billion* in 1962 to $3.8 *billion* in 1966, an increase of $1.2 *billion*. On the other hand, total imports grew from $39 *million* to $88 *million*, an increase of only $49 *million*. Imports as a ratio to consumption in 1966 was at 2.7 percent for total benzenoid imports but only 1.4 percent for competitive imports.

FIGURE III measures the international competitive strength of the overall chemical industry by comparing United States imports and exports. (See Table 1, STR Statement.) Total exports increased by about one *billion* dollars from 1962. Total imports, on the other hand, increased by only about $200 *million* over the same period. A significant portion of the imports were duty-free imports. Thus, in 1967 the total export balance in the United States favor in the chemical sector was $1.8 billion. Measuring the difference between dutiable imports and total exports the balance in the United States favor was over $2 billion.

The trade balance in benzenoid chemicals is shown on Figure IV (See Table 2, STR Statement.) Here exports grew by $130 million from 1964 to 1966 whereas total imports grew by only $39 million over the same years and competitive imports grew by $23 million. The trade balance in favor of the United States in 1966 in benzenoid chemicals was almost half a billion dollars.

Certainly these figures demonstrate a strong export industry well able to compete with imports. Starting with the high and growing base of exports the duty reductions in the Kennedy Round should contribute materially to an increasing level of exports.

There are a number of arguments which have been raised concerning the impact of imports which in our view are calculated to obscure the true picture. It has been attempted to portray this industry as one of small, vulnerable enterprises. Nothing could be further from the truth. The chemical industry and the benzenoid sector are dominated by large, diversified and strong chemical companies, well able to withstand import competition.

There are some smaller enterprises in this industry. Undoubtedly a few of these companies will find it more difficult to compete with the reductions in duty contained in the ASP and Kennedy Round packages. It is no part of national policy, however, to protect a few inefficient units of production at the expense of the overall position of the industry. After 46 years of extraordinary protection it is no wonder that there are inefficient, marginal companies operating under the ASP umbrella. Not all of the smaller units, however, will find it difficult to compete. Many of these companies are, in effect, part of larger enterprises either formally or in a less formal subcontracting relationship. Since these companies do not generally provide the extensive services required of the larger companies and do not have the overhead of large research and development costs, they are in many cases low-cost producers better able to compete in certain specialty items than the larger companies.

The border tax issue

Since SOCMA has made such a point of the European border tax, particularly the change in system, this statement would not be complete without reference to that problem.