

of our nation. However, events have moved rapidly in recent years and even faster in recent months. With ever increasing frequency we find that low cost imports are entering our markets, displacing American labor and business and, in some instances (such as in steel), even threatening this nation's security. The balance of payments and dollar crisis have added an urgency to our search for a long range solution to the problems facing us in this area. The Corporation has an important stake in the future of the United States and, although we can not offer a panacea, we have given serious thought to many of the problem areas and accordingly welcome this opportunity to present our conclusions.

II. SUMMARY OF POSITION

1. Allied Chemical is an active member of the Manufacturing Chemists' Association (MCA) as well as the Synthetic Organic Chemical Manufacturers' Association (SOCMA) and has contributed to their councils. Accordingly, we endorse the positions to be taken by those organizations before this Committee. Allied Chemical is also a significant factor in textiles, being a major producer of nylon yarn. In that capacity we support the positions taken by the Man-Made Fiber Producers' Association.

2. The Kennedy Round was an unreciprocal agreement. It is unfair to the American chemical industry and will injure its ability to continue its contribution to the country's welfare.

a. Lack of reciprocity is demonstrated by the inequality of tariff cuts between the U.S. on the one hand and the U.K. and Common Market on the other; and

b. Lack of reciprocity also is demonstrated by the increasing protective barriers—primarily the projected harmonization of the Common Market tax system and the concomitant increase in border tax rates.

3. Unless Congress takes positive steps to rectify this lack of reciprocity, the inevitable result will be a serious further deterioration in the favorable trade balance and consequential damage to our nation's critical balance of payments.

4. The Supplemental Agreement Relating Principally to Chemicals ("Separate Package") will aggravate the situation still further. Congress should not enact legislation which would eliminate the American Selling Price (ASP) method of customs valuation.

a. ASP is a good system—it reflects American wage scales and taxes, is certain, readily ascertainable, not subject to manipulation and thus is fair to both domestic and foreign manufacturers and sellers;

b. ASP, rather than the more widely used export valuation system, more closely resembles the customs valuation systems employed by our principal trading partners in that value of product is determined by the facts as found in country of consumption; and

c. Congress should give serious consideration to the application of the ASP system to other imported products.

III. DISCUSSION

A. Economic impact of Kennedy Round and separate package

1. Impact upon Corporate Income

The Corporation as a whole has already been described. We believe the entire American chemical industry failed to receive a fair bargain at Geneva; we know the Kennedy Round agreement seriously jeopardizes a sizeable segment of Allied Chemical's business, primarily certain products and product groups within our fibers, resins and plastics, plasticizers, inorganic chemicals and benzenoid chemical sectors.

In an effort to ascertain the extent of the economic impact on those sectors, (1) as a result of the Kennedy Round chemical tariff cuts and (2) the possible elimination of ASP, a careful study was conducted by the various divisions that produce the affected products for the international market. The study was limited to those Allied Chemical products affected not just by the Kennedy Round but also by the Separate Package. Specifically, our evaluation included studies on the 28 different product groups within the problem areas previously identified and set forth on Exhibit "A" attached. This statement does not include the economic impact as to those products included only in the Kennedy Round.

Our conclusions are not the result of straight line projections based on historical data. Of course, we used such data but the almost incredible adverse results