

were tempered by an intangible—i.e., what our collective experience in the chemical business indicated would be the probable moves taken by ourselves as well as others in an attempt to minimize the damage yet continue in the business. After all this, however, our overall conclusions were that as a result of the 50 percent Kennedy Round chemical tariff reductions our pretax income would be reduced by several million dollars. With the elimination of ASP our economic injury would be compounded—the decline in pretax income, although not quite as severe as that expected from the Kennedy Round itself, would nevertheless be well in excess of a million dollars.

Reductions of this magnitude would reduce our pretax income to a level so low that many product lines may have to be discontinued. Since the Kennedy Round agreement was signed (June 30, 1967), in fact, over 200 products from our active dyestuffs line have already been discontinued.

The fact that the tariff cuts alone will cause increased imports, especially in benzenoid chemicals, cannot be denied. The Torquay Round (1951) resulted in heavy coal-tar intermediate import jump, and the Dillon Round (1962) resulted in significant increased imports of specific intermediates. We have been unable to break down balance of trade figures for the benzenoid industry because of the government's method of compiling statistics, but we do know that benzenoid imports have been increasing. And rapidly, even with ASP.

The Separate Package, if adopted by Congress, would eliminate the ASP method of customs valuation for certain benzenoid chemicals. Unnoticed in the emotional tempest raised over ASP is the fact that such legislation also will reduce by 55 percent to 83 percent the tariffs on nine non-benzenoid chemicals—far in excess of the 50 percent maximum permitted by the Trade Expansion Act of 1962 (TEA).

For Allied Chemical an important chemical in this latter group is *Sodium Nitrite* (TSUS 421.141). In 1967, the tariff on this chemical was 3.0¢/pound. By reason of the Kennedy Round this tariff will be reduced by 50% to 1.8¢/pound. If the Separate Package is adopted, the tariff would be still further reduced: to 1¢/pound—a total reduction of over 72% which is far in excess of that authorized by the TEA. In evaluating the economic impact, we assumed, since there is ample foreign capacity, that foreign competition would take advantage of these reductions to drive the United States selling price lower. We also assumed that we could continue to sell the same quantity as we actually sold in 1966 (the year prior to our study). The result is a projected decline in sales revenue and pretax profit on this chemical alone in the neighborhood of one million dollars, nearly one-third of which resulting from the reductions which would take place if the Separate Package is adopted.<sup>1</sup>

In reality it is likely that the total impact on Allied Chemical will be greater than indicated, since we will have to contend with a combination of lower prices, loss of sales and increased manufacturing costs caused by the lower volume. In short, therefore, Allied Chemical has already been hurt by the Kennedy Round itself and would suffer significant further adverse economic results if Congress eliminates ASP by adopting the Separate Package.

## 2. Impact Upon Corporate Facilities and Employees

Allied Chemical produces and sells or offers to sell a broad range of benzenoid chemicals or chemical groups. These products are manufactured at 12 locations in 8 states.<sup>2</sup> Within the last year two former benzenoid producing operations have been sold, one located in California and the other in Ohio. Approximately 4,000 company employees are directly involved with production of benzenoid chemicals. Numerous others are tangentially involved as executives, salesmen, secretaries, accounting and billing clerks, etc. Aside from the welfare of the company itself, the jobs of many of these persons are dependent upon our ability to make a profit in the manufacture, sale and use of these products.

In our assessment of the impact upon the Corporation of the Kennedy Round, we concluded that a large segment of our benzenoid line of products would suffer a revenue decline that would completely wipe out all profits. As a consequence, we have been faced with very difficult decisions. Obviously, one alternative was to simply go out of certain aspects of the business. Another was to keep the plant or plants running until there was a negative cash flow, at which time

<sup>1</sup> Since we assumed that the same quantity of product would be sold, costs of manufacture and sale would remain constant. Therefore, to the extent there was a decline in sales revenue there would be an equal decline in pretax profit.

<sup>2</sup> California, Illinois, New Jersey, New York, Ohio, Pennsylvania, Virginia, and West Virginia.