they could be shut down. Other alternatives included (1) building facilities overseas and importing back into the U.S.—which would not help domestic employment nor leave America a reliable supply in the event of hostilities and (2) committing new capital in an attempt to ensure the success of a few products, abandoning production of the remainder.

As is well known, because of the nature of the products produced, the two Allied Chemical plants that are most apt to feel any adjustment the Corporation might make are located at Buffalo, N.Y. and Haledon, N.J. At the end of 1967 these two locations alone represented a capital investment of about $65 million (gross book value, fixed assets) and collectively employed 2,000 persons. At Buffalo we produce dyestuffs, certified colors, biological stains and indicators, organic chemicals, detergents and dye intermediates whereas our organic pigment operations are located at Haledon.

Of course the dye and pigment industry is only a part of the benzenoid chemical industry. All told Allied Chemical has approximately $275 million invested in the production of various benzenoid chemicals. Although this investment accounts for about 15 percent of Allied Chemical's total sales, the percentage of the Corporation's pretax profits generated by such sales is far less than 15%. This low return on the sales dollar has been accepted by Allied Chemical only because production of benzenoid chemicals is important to our operations, especially to our research and development facilities. If this were not the case we might very well have turned to more profitable areas long ago. Despite the importance of benzenoid chemicals as a synergist in the production of new products, the entire investment has been placed in jeopardy as a result of the Kennedy Round. Because of the cumulative effect, this investment will be placed in far greater jeopardy if the Separate Package should be adopted. Even useful and desirable operations cannot be maintained for long by private industry at a loss.

B. Reasons for such adverse results

1. Kennedy Round—Unreciprocal bargain

SOCMA will devote a good portion of their presentation to an explanation as to why the Kennedy Round is an unreciprocal bargain. We will try to avoid being redundant. However, it is not sufficient merely to state that with respect to trade with Europe we find ourselves worse off now than we were before the Kennedy Round began. That fact needs some explanation, especially since the result is so incongruous. After all, the Geneva negotiations were intended to expand world trade and President Kennedy, in obtaining authority for the United States to enter the negotiations stated that he was seeking "general authority to reduce *existing* tariffs by fifty percent in *reciprocal* negotiation," adding "*But let me emphasize that we mean to see to it that all reductions are reciprocal* . . .". (Emphasis added.)

Despite that admonition, our negotiators agreed to reduce United States chemical tariffs by nearly 50% in return for a reduction of about 20% by the Common Market and United Kingdom. And, with respect to the Common Market it should be noted that the reduction was not even with respect to *existing* tariffs; the reduction was from a Common External Tariff (CXT) which was not even in effect. This is a little publicized, but very significant fact. The CXT becomes effective July 1, 1968. In Germany and the Benelux nations, the average chemical CXT will be sufficiently higher than the chemical tariff currently in existence so that when the CXT is reduced by 20% the resulting average chemical tariff will be higher than those in effect today.[3] Since over 70% of American chemical exports to the Common Market go to Germany and the Benelux countries,[4] it is little wonder that the chemical industry has been vehement in its denunciation of the Kennedy Round.

2. Border taxes

This nonsuccess with respect to tariff reductions is compounded when one realizes that all Common Market countries (except France) have increased or soon will increase their border taxes. The first dramatic evidence of the significance of this situation may be seen by looking at German/American trade. Last year's 4% border tax in Germany was raised to 10% on January 1, 1968 and goes to 11% on July 1. This tax increase, on top of the increase in chemical

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[3] CCH, Common Market Reports, para. 9227 (1968).
[4] United States Department of Commerce, Bureau of the Census, United States Exports (FT-420—1966 Annual)—1967 data not yet available.