positions of local producers in relation to foreign producers. Although the vital importance of such practices cannot be neglected, this paper will address itself only to the question of dumping, which is a complicated problem worthy of some careful consideration. Any final decision concerning foreign trade will be of minimal value in the absence of a strong antidumping regulation and enforcement.

TRADE CLASSIFICATIONS

World trade many be classified in four categories with respect to competitiveness:

1. Trade that is essentially monopolistic, based on patented products or products newly developed and unavailable in other markets.

2. Shipments from parent company to foreign subsidiary are another type of foreign trade where competition is restricted. In the past 8 or 10 years, $3 to $4 billions' worth of American exports are reported by the Commerce Department to be of this type. The shipments consist primarily be intermediates and parts for further processing or assembly.

A different type of trade is what is called a co-manufacturer or co-producer sale. From time to time there are instances where a producer of a given product, usually due to temporary shortages or short-term imbalances in supply and demand, will import the same product from another producer.

3. The bulk of world trade is on the basis of normal competition, which involves not only price competition but quality, service, design and other factors. In any growing industrial country there will always be imbalances in supply and demand, and shortages of particular products at a given time. As expansion takes place, the capacity for a given product is likely to be out of balance with the consuming plants.

This is particularly relevant in the chemical industry where new plants are designed for a size to give low-cost production rather than on the requirements for immediate sales. These imbalances lead to short-term demands which often are supplied from excess capacity in other countries.

4. And finally, there are examples of foreign trade which can be labeled "dumping". This occurs when a producer with excess capacity is willing to sell his product overseas at prices below his home price, on the theory that the incremental cost of the additional product that is obtained by running the plant at capacity is low; therefore, if he can sell overseas, even at low prices, without disturbing his domestic price, he is making a good incremental return on the foreign sale. Such sales are not destructive competition where the product is sold into a nonproducing country. In such instance, the result may even be considered beneficial in the unlikely event that the country has no desire to develop national production.

Dumping becomes a matter of real concern when there is national production of the product or desire to initiate production and the foreign producer offers his product at a lower price to the customer than is available from the national producer or would be available from such a potential producer. It becomes especially destructive whenever the political regulations are strong enough to prevent any retaliatory importation into a producer's home market. In such instances, the home-market price may be artificially held at a high level to enable the excess production to be dumped at destructively low prices in overseas markets.

Dumping practices disrupt markets and, in the end, are disadvantageous to consumer as well as to producer. For this reason, most industrial nations have procedures designed to prevent the practice of dumping. The GATT charter, in Article 4, recognizes the disruptive influence of dumping and proposes duty penalties to prevent it.

The first step is to develop a definition of "dumping" that matches the realities of the business world. This then needs to be applied objectively by all trading partners so as to eliminate the evils of dumping, but at the same time not thwart international trade and competition.

The negotiation in Geneva, authorized by the Trade Expansion Act of 1962, sought across-the-board tariff reductions of 50% on a reciprocal basis. When the United States has completed the cuts (1972), most tariff levels will be so low that they will offer little impediment to trade. In fact, they may invite practices of dumping, because the tariff levels that will remain will add little to the border-crossing charges.

Based on our experience with competition from imported chemicals and with extensive experience in export of chemicals from the United States, we believe