

STATEMENT OF JAMES W. L. MONKMAN, VICE PRESIDENT, CROMPTON
& KNOWLES CORPORATION

My name is James W. L. Monkman and I submit this testimony as Vice President of Crompton & Knowles Corporation, 93 Grand Street, Worcester, Massachusetts, and as President of its Chemicals Group, with headquarters in Newark, New Jersey, as indicated above. A summary of our conclusions and recommendations is provided at the close of this testimony.

Company operations and interests

Crompton and Knowles, last year, had sales of \$66 million and employed roughly 2,700 people in its various divisions. It is engaged in manufacture and sale of machinery for textile manufacture, plastics processing, and packaging; and its Chemicals Group manufactures and sells textile dyestuffs, food colors, plastic colors, and reinforced plastics. We are strongly in favor of expanded trade between nations. However, from firsthand view of the industries in which we are involved, we believe that tariff policy and tariff concessions of the United States have resulted and will result in major increases in foreign penetration of the U.S. market, without opening equivalent opportunities for sale of our goods in foreign markets. We are particularly concerned about the effect of agreements reached in the chemical sector in the Kennedy Round, and about the consequences which would ensue in our benzenoid chemical business if the American Selling Price system of valuation of imports were abolished as requested by the Administration.

We manufacture specialized dyestuffs, mostly for synthetic fiber based textiles, and certified colors for foods, drugs, and cosmetics. We have two plants—one in Reading, Pennsylvania, and one in nearby Gibraltar. Both plants are in Berks County, Pennsylvania. We employ 180 people at these locations. Sales of these products total approximately \$10 million. Another dyestuff producer, Tenneco Chemicals, is located in Reading, Pennsylvania, and we estimate that our two benzenoid chemical businesses represent investments of close to \$10 million in the area, annual payrolls in excess of \$4 million, and local state and federal tax payments of over \$2 million each year. The health of these businesses is a matter of intense local concern, as you will note from the attached resolution taken by the Reading City Council.

Probable economic effect of elimination of A.S.P. on textile dye business

Crompton and Knowles has studied very carefully the probable effect upon its domestic business and its exports resulting from the Kennedy Round agreements and the proposed "Separate Package". We subscribe fully to the position taken by the Synthetic Organic Chemical Manufacturers Association that the agreements fail to provide reciprocity and that the U.S. benzenoid chemical industry and the U.S. balance of payments will be seriously and adversely affected under these agreements.

With respect to export opportunities, the only dyes we can sell abroad today are those specialty, superior performance colors we have developed through our own research. We see virtually no expansion of export sale of our colors produced in this country as a result of tariff concessions in the Kennedy Round or separate package.

Conversely, however, we see major reductions in sales income and complete loss of business on some products as a result of price reductions made possible by reduced U.S. tariffs and by the proposed abolition of A.S.P. The latter move is especially serious because the converted rates proposed (as brought out by industry spokesmen in the 1966 Tariff Commission hearings—a report which the Administration *still* has not made public) do not provide equivalent protection to A.S.P. treatment. As a result, the effective tariff on products competing with many of our products, because they fall in basket categories, will be 70% to 80% lower if A.S.P. is eliminated than at present—far in excess of the 50% maximum cuts authorized under the Trade Expansion Act.

As a small, specialized dyestuff producer relying heavily on research, Crompton and Knowles has had a profitable, growing business in textile dyes. For business reasons we cannot disclose specific profit figures, but we have developed the following table to show the relative effect upon profits as a per cent of sales that we estimate will take place in the dyestuff part of our business as a result of lower priced dyestuff imports made possible by the Kennedy Round cuts and by elimination of the A.S.P. method of valuation of benzenoid chemical imports. In this estimate we have excluded the effect of any other changes in our business and its costs.