

alloy steel is being reduced by 50 percent but is not being eliminated as complete harmonization would have required.

Aluminum Sector.—The Community offer consisted of a binding of a 130,000 ton annual quota at 5 percent. The EEC had previously bound in the GATT a 9 percent rate of duty on ingot aluminum. Some imports were allowed entry annually under a tariff quota at 5 percent but neither the amount of the quota nor the lower rate had been bound. The U.S. is making a 20 percent cut on ingot aluminum, of benefit primarily to Canada and Norway.

On unwrought aluminum (further advanced than ingot), tariff cuts by the United States averaged less than 30 percent. The EEC average cut was about one third, while the tariff cuts by the U.K. and Canada were larger than those of the EEC. Japan and other EFTA countries also made substantial cuts in the aluminum sector. Of special interest to U.S. aluminum exporters will be the adoption by Canada of an injury requirement in its antidumping legislation to conform to the new antidumping agreement.

Chemical Sector.—The chemical sector negotiations were centered on the American Selling Price (ASP) issue. European countries maintained from the start that any more than token reductions in their chemical tariffs were conditional on United States elimination of the ASP valuation system. Since elimination of ASP would require Congressional action, United States negotiators insisted that chemical concessions be implemented in two packages: first, a balanced settlement in the Kennedy Round; second, reciprocal concessions by other countries in return for abolition of ASP.

The pattern and volume of chemical trade is such that the outcome of negotiations in this sector inevitably played a major role in the outcome of the entire Kennedy Round. United States dutiable chemical imports from countries with a major stake in world chemical trade (EEC, United Kingdom, Japan, and Switzerland) were \$325 million in 1964; these countries' dutiable chemical imports from the United States totaled nearly \$900 million.

In the end, all major Kennedy Round participants made concessions in the chemical sector. Many concessions have been agreed on unconditionally, while certain other concessions are conditional on United States elimination of the American Selling Price (ASP) valuation system. The concessions on chemicals are, therefore, in two parts: first, the Kennedy Round chemical package, and second, the ASP package.

I. The Kennedy Round Package

Unconditional obligations undertaken in the Kennedy Round are as follows:

1. The United States agreed to duty reductions on products accounting for nearly all (95 percent) of United States dutiable chemical imports. Tariffs will be reduced 50 percent on most items with rates above 8 percent; 20 percent on items 8 percent and below. These commitments will result in a weighted average duty reduction of 43 percent in United States chemical tariffs and \$325 million of dutiable imports from the EEC, U.K., Japan, and Switzerland. The combined tariff reduction made by these four countries averages 26 percent on nearly \$900 million of U.S. chemical exports, and the United States retains the ASP method of valuation for benzenoid chemicals.

2. The *European Economic Community* agreed to duty reductions on tariff items accounting for 98 percent of its dutiable chemical imports from the United States. Most duties will be reduced by 20 percent. Certain items, however, will be subject to reductions of 30 percent and 35 percent, while some others will be reduced less than 20 percent. These commitments will result in a weighted average reduction of 20 percent in EEC tariffs on \$460 million of 1964 chemical imports from the United States.

3. The *United Kingdom* agreed to duty reductions on virtually all chemical imports from the United States except certain plastics. Most British plastics duties are currently 10 percent, a level considerably lower than other major trading countries. The United Kingdom has agreed to reduce tariffs at rates of 25 percent and above by 30 percent, and rates below 25 percent by 20 percent. These commitments will result in a weighted average reduction of 24 percent in United Kingdom imports of more than \$100 million of chemicals from the United States.

4. *Japan* agreed to tariff reductions which on a weighted average basis amount to 44 percent on dutiable chemical imports from the United States. These imports were over \$200 million in 1964.