of quotas and increased tariffs. However, this is a drastic form of relief and one which costs other industries either tariff protection at home or export opportunities abroad, as I have suggested in my earlier discussion of GATT provisions for compensation and retaliation in the event of increased tariffs. We believe that the standards for escape-clause relief should be retained in their present form.

After this rather summary discussion of the first two of the three post-Kennedy Round problems, I would like to go into more detail on the question of the American selling price system (ASP) which, as Senator Javits has indicated, is one of the most controversial we face, and, as I have said, will be a matter for congressional consideration.

The ASP Issue

ASP, as it applies to chemicals, is often referred to by critics abroad as the symbol of nontariff barriers. I should like to confine my comments to only three aspects of ASP—why it apears to us to be an undesirable impediment to trade, what the effects of its removal will probably be, and, finally, how we appraise the balance of what we gave and received in this area in the recent trade negotiations.

In 1922 the Congress determined that our then infant chemical industry, specifically that part of it which manufactures products derived from coal tars, required extraordinary protection. The Congress was apparently reluctant to raise the statutory duties to the levels it deemed necessary to provide adequate protection under the circumstances then existing. Instead, the Congress provided that any imported coal tar product, now referred to as benzenoid, which is competitive with a similar domestic product should be valued on the basis of the latter's American wholesale price. This statute has remained in effect for 45 years, although the American chemical industry has grown rapidly since then and is today one of the largest and strongest not only in this country but in the world, and even though coal tars are now less frequently involved, the major raw materials now being byproducts of our petroleum industry, itself the largest and probably most efficient in the world.

This system has long been criticized by other countries, and for various reasons. Some of them can be summarized as follows:

1. It provides extraordinary protection, both in comparison to the duties which now apply to other U.S. industries and in comparison with duties in effect abroad. The statutory rates for benzenoids alone are already higher than those applying to most other products entering the United States and higher than those typical of other nations' tariff schedules. When further applied to American wholesale prices, these rates produce effective rates often many times higher than the apparent duty. Some are actually above 100 percent and the peak, as recently determined by a Tariff Commission study, is 172 percent.

2. The system is inconsistent with the customs practices of all our trading partners for nonagricultural goods. Moreover, it would be in violation of the standards of customs valuation laid down by the General Agreement on Tariffs and Trade. But for the fact that its use in this country antedates our adherence to the GATT and was made permissible under a "grandfather" clause.