3. Under the ASP system a domestic manufacturers has unique and unfair advantages. Within the limits of the effectiveness of competitive forces in the U.S. market, a manufacturer can adjust the level of his tariff protection against his foreign competitor by the wholesale price he sets for his product. Moreover, if he is not actually making a product "like or similar" to one currently imported, he can decide to produce or merely to "offer to sell" a "like or similar" product and thereby he triggers an increase, usually substantial, in the tariff wall that imports must surmount.

4. The foreign exporter of a product potentially subject to ASP, consequently, cannot know at the time he signs a contract and ships the product whether it will be subject to ASP nor what the ASP will be until it has passed through our customs. This uncertainty as to the amount of duty is a burden on trade with no counterpart in the vast bulk of other international commerce in industrial goods.

The normal method of valuation, I might add, which applies to virtually all other U.S. imports as well as to imports into all other countries is export value, that is, the wholesale price of the product as offered in arm's-length transactions in the country of origin. For the reasons I have cited and the fact that this particular system deviates so sharply from the common practice, other countries consider it an unjustified anomaly in our trade policy. From the very beginning of the negotiations they made it a major issue, even though we made it crystal clear that we had no authority to change it under the authority of the Trade Expansion Act.

Because of the validity of those complaints and because our national stake in world trade in chemicals is so large—we export some $2.7 billion in chemicals and our net export surplus is no less than $1.8 billion—so that we have much to gain from liberalization of barriers throughout the world in this industry—we undertook a series of intensive studies of this issue over a 2-year period. And now I come to my second point, what the effects of the removal of ASP and its conversion to the normal basis of valuation would be.

Effects on Chemical Industry

I recognize that there are those who would have the Congress and the public believe that the economic effects on this industry would, and I quote, be "disastrous." So serious a charge properly merits a painstaking examination. I am sure when the Congress examines the legislation which the President will be submitting that a vital and objective review of all the facts will be made. We shall at the appropriate time provide all of the reasons we have found that lead us to conclude that no disaster lies ahead. I can understand the self-interest of those who have benefited for 45 years from an extraordinary system of tariff adjustment and from the very high level of protection it creates in perpetuating that system. Nevertheless, the national interest and the posture of our trade policy throughout the world requires a full evaluation of all pertinent considerations.

Very briefly, what our studies found was a remarkable record of growth and a well below average problem with imports. And, I might add that the studies were based on evidence submitted by the industry in four separate public hearings, two of which dealt entirely with