

Most of this authority was used in negotiating the Kennedy Round. The unused portion of that Authority will give the President the flexibility to adjust tariff rates as future developments might require.

For example, the United States might find it necessary to increase the duty on a particular article—as the result of an “escape clause” action or a statutory change in tariff classification. In such event, we would be obliged to give other nations compensatory tariff adjustments for their trade losses.

Without this authority, we would invite retaliation and endanger American markets abroad.

*I recommend that the President's authority to make these tariff adjustments be extended through June 30, 1970.*

Second, the Trade Expansion Act of 1968 will eliminate the American Selling Price system of customs valuation. This action is necessary to carry out the special agreement reached during the Kennedy Round.

The American Selling Price system has outlived its purpose. It should be ended.

The generally accepted method of valuing goods for tariff purposes—which we and all our trading partners employ—is to use the actual price of the item to the importer.

But many years ago, to protect a few of our fledgling industries, we imposed on competing foreign goods—in addition to a substantial tariff—the special requirement that their tariff value be determined by American prices. Today this unusual system often produces tariff protection or more than 100 percent of the import cost of the product.

Such excessive protection is both unfair and unnecessary.

*This system is unfair* because it:

- Gives to a few industries a special privilege available to no other American business.
- Rests on an arbitrary method of valuation which no other nation uses.
- Diverges from the provisions of the General Agreement on Tariffs and Trade.
- Imposes an unjustified burden on the U.S. consumer.

*This system is unnecessary* because the few industries which it covers no longer need special government protection.

It applies primarily to the chemical industry in the benzenoid field. Yet chemicals, and benzenoids in particular, are among our most efficient and rapidly expanding industries. They have done well at home. They have done well in the international market. They are in a strong position to face normal competition from imports.

A supplementary agreement was negotiated at Geneva which will lower foreign tariffs on American chemicals and reduce certain non-tariff barriers—road taxes and tariff preferences—on American automobiles and tobacco. To receive these important concessions, the United States must eliminate the American Selling Price valuation system and thereby give foreign producers of chemicals and a few other products normal access to our markets. This bargain is clearly in our national interest—good for our industries, good for our workers, and good for our consumers.

*I recommend that the Congress eliminate the American Selling Price system to remove inequities in our tariffs and enable us to take advantage of concessions negotiated in the Kennedy Round.*