

the President's authority to adjust tariffs through June 30, 1970, as necessary to give the President some flexibility in dealing with future trade developments; (2) modification of the rules governing adjustment assistance—the liberalization of trade may in some cases cause difficulties and hardship for domestic industries which are genuinely unable to meet competition from imports by improving their own competitiveness; in our view such industries are entitled to expect help from the national community which benefits at large from the greater prosperity generated by expanding foreign trade; and (3) elimination of the American Selling Price system of valuation.

Members of the Chamber who import chemicals into the United States have long been concerned about the problems created by the American Selling Price system of valuation. It is often impossible for an importer to know what rate of duty he will have to pay. Moreover, the rate which is finally determined frequently appears arbitrary and unfair to the importer in view of the price of his product. It is not surprising that this system has aroused widespread resentment in all countries which export to the United States goods which are subject to this method of valuation. Our own exporters, including the chemical industry, would no doubt take the same view if the system were applied against them in other countries.

It has been asserted that manufacturers will be injured if deprived of the exceptional levels of protection which the A.S.P. system affords them. I think it is legitimate to ask three questions on this point:

Does the industry still require the protection of a system which was designed to safeguard an infant industry over 40 years ago?

Does the industry genuinely require tariff rates which effectively exceed 100% of the import cost of the product in several cases?

Does the industry require a system which is in fundamental violation of the principles which the major trading nations of the world agreed over 20 years ago should guide the methods of customs valuation in international trade? (I would recall that Article VII of the General Agreement on Tariffs and Trade stipulates that "The value for Customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values." General acceptance of this principle has been of benefit to U.S. exporters and has greatly eased the conduct of international trade.)

I believe that the answers to the three questions I have posed is that the benzenoid chemical industry is not in such a precarious condition that it genuinely requires this exceptional and unique treatment. As is pointed out in the President's message, "chemicals, and benzenoids in particular, are among our most efficient and rapidly expanding industries", and are in a "strong position to face normal competition from imports."

Even if someone were to believe to the contrary, there would still be presented the question of why this one segment of the very successful and dynamic U.S. chemical industry has for so many years remained in need of special protective treatment. Perhaps the answer here is that the asserted inability of the benzenoid sector of the chemical industry to compete could be attributed precisely to the long immunity from foreign competition which the American Selling Price system has conferred. There is no sound reason for permitting this situation to perpetuate itself. It is a basic tenet that healthy competition is the right stimulus for innovation and progress in our economy. It is difficult to see why the benzenoid chemical industry should be accorded protection that no other industry receives. It should be noted that, under the provisional agreement reached by our negotiators in Geneva, even with the elimination of the American Selling Price system of valuation, benzenoids would retain substantial tariff protection.

The details of the A.S.P. bargain have been analyzed in detail in testimony before the Committee, and I shall not burden you with repetition in this regard. I would just like to note one point in connection with the tariff reductions on chemicals generally. In trade with the United Kingdom, the agreement works out clearly in favor of the United States. U.S. exports of chemicals to the U. K. are worth about \$170 million a year, and the tariffs which they face are to be substantially reduced—by as much as 62% in some cases—thus further opening up a large and growing market. If the agreement is put into effect there will be very few U. K. tariffs over 12½% in the chemical field; and the average will be below that figure. Many U.S. chemical tariffs will remain at 20% or higher and the