EXHIBIT 3

Adjustments To Reflect Differences in Branding Costs

Apparently, the Bureau of Customs makes adjustments in the home market price for the difference in cost represented by branding of merchandise sold in the home market where the foreign manufacturer claims that its merchandise sold in the home market is branded, whereas its merchandise for export is unbranded.

The making of an allowance for branding is subject to all of the vices discussed in the preceding sections: the Bureau has no evidence that the difference in price between home market and export sales is due in any degree to the alleged difference in branding; nor does it possess information to support a determination of what a "due allowance" (as distinguished from the automatic full credit given for the claimed difference in cost) would be for such difference. The allowance is made improperly at a stage not authorized by the statute.

There is a further defect in the Bureau's procedure on this allowance, and that is that the Bureau's own regulations do not permit or contemplate such an allowance. Sec. 14.7(b)(2)(ii) states that "allowances generally will not be made for differences in * * * production costs" and the cost of branding would seem clearly to be a production cost.