

Mr. HERLONG. Any questions? Mr. Battin.

Mr. BATTIN. I am sorry that I didn't hear all of your statement. Did you have anything to say on the American selling price?

Mr. WELLS. Congressman, if I may attempt to speak to that, we do have in the detailed statement a reference to American selling price. In fact, in this specific quantitative study which we undertook in depth of the impact of the Kennedy round and related factors on Union Carbide, and I emphasize that only because we are speaking only for Union Carbide and not for the chemical industry as a whole as far as that aspect is concerned, we did make our calculations on the basis of retention of the American selling price valuation basis and on the assumption of its repeal.

I think it is important to emphasize that the question of impact of change in method of valuation can or must necessarily differ greatly between individual companies, depending upon a number of factors.

First, the proportion of your business which is in the benzenoid area is important. Secondly, the product mix within that classification of products is an essential factor or consideration.

Thirdly, and I think a point which is sometimes overlooked, is that at the time the converted tariff rates which were supposed to really equalize the overall total tariff receipts of the United States under the proposed new method of valuation, using European export price, with the tariff receipts under the American selling price, were based on conditions, prices, which existed in 1964. Necessarily the relationship between European prices of benzenoid chemicals and American selling prices were a key determinant of whether or not there would be the equality which was attempted and desired in the negotiations.

Now that relationship has changed and it has changed as far as its effect is concerned for each company in the industry. In our particular case, our figures have indicated that today, because of these changes, there really is little or no direct difference as to whether or not the American selling price method of valuation is changed.

It is relatively insignificant. There is an effect but it is minor, not within the realm of estimating capability. This is counter to what we found 2 years ago when we made some preliminary estimates based on the 1964 conditions. I think we should emphasize that the impact on a company like Union Carbide can only be quantified in some degree on the basis of our direct operations. But our benzenoid business is dependent in a major way upon sales to benzenoid product fabricators and converters whose situation may be completely different from ours as far as the impact of ASP is concerned. They can be adversely influenced, depending upon whether the new tariff rates on their products happen to be below or above the average of the new rates which have been established.

Also they can be affected in the other direction by any price reductions which may result from the changes brought on by the Kennedy round negotiations. Therefore, while we feel that we are going to be disadvantaged somewhat in our sales to benzenoid fabricating or converting customers who happen to be adversely affected, this is just impossible for us to quantify.