chemicals to the full 50 percent cut from 20 percent and on 9 products by more than 50 percent. As one example, sodium nitrite would be reduced from a tariff of 3.6¢ per lb. to 1¢ per lb., or a cut of 72.2 percent.

The American Selling Price as a system of customs valuation has been best described by Mr. Earl V. Anderson (Senior Associate Editor, *Chemical and Engineering News*) in an article entitled "An American Views American Selling Price" published in February 1967 issue of "European Community" (p. 13):

"What is ASP? Simply stated, it is a system by which duties on certain imports are calculated as a percentage of their domestic wholesale price rather than their foreign, or export, price. These 'certain imports' include canned clams, knit gloves, rubber footwear, and competitive benzenoid chemicals. For all practical purposes, the entire ASP argument revolves around the benzenoid chemicals.

"The uproar attenting ASP has set it apart from all other tariff systems in the world. It is thus easy to assume that ASP applies to all U.S. imports. It does not. Nor does it apply to all U.S. chemical imports. In fact, it does not even apply to all U.S. benzenoid imports. It applies only to the benzenoids deemed 'competitive' with domestic products."

1. *Economic Impact on Chemical Industry*

At the request of the STR, the Tariff Commission during 1966 investigated and developed converted rates for ASP items which were reported as an equivalent. These converted rates were computed for each benzenoid product or group of products (using foreign invoice valve) which would return to the Government and amount of revenue equivalent to that actually received on these products in 1964. Even though the Tariff Commission was requested to indicate its assessment of the degree of equivalency of protection achieved, the goal before the Commission was equivalence of revenue, not of protection. The procedure actually used was to lump noncompetitive benzenoids in the same basket with competitive ones. Since the American Selling Price applies only to competitive benzenoids, i.e., those made in the United States, the proposed equivalent converted rates actually *increased* the tariff rates on many dyes which are not made here and *decreased* the rates on the dyes made by U.S. industry. This statistical averaging so reduced the rates on some products that some company representatives testified that they would expect losses in meeting foreign competition. Representatives of many benzenoid-producing companies testified during the Tariff Commission hearings that the converted rates, subsequently reduced by 50 percent, would bring import competition that would not merely diminish profits, but actually convert them into losses. By proposing maximum tariff ceilings, the Administration is now asking Congress to ratify tariff cuts on many benzenoid products in excess of 50 percent, the maximum authorized by TEA.

Details of economic impact resulting from tariff reductions on benzenoid chemicals were studied and analyzed by the Tariff Commission after extensive hearings on this subject held in September 1966. The results were published in two volumes which have not as yet been released to the public by the Special Representative for Trade Negotiations on the grounds that both volumes contain confidential information. We feel certain that the Tariff Commission study clearly indicates how seriously the domestic benzenoid chemical industry would be hurt by the elimination of ASP. **The chemical industry should have an opportunity to study and consider the conclusions of that study.**

Diminished profits and dollar losses, because of lowered duties, are predicted for several very sound reasons. U.S. chemical producers are at a serious disadvantage compared to overseas producers whose wage rates are much lower. Government published data indicate a range of from 70¢ to $1.38 per hour overseas as compared to $2.98 per hour for U.S. average (Exhibit B). Companies with plants in Europe know that these averages understate the differences. Also, because of antitrust laws, domestic producers cannot rationalize production as can and is being done by overseas competitors.

2. *Effect of Lowering Duties on Export Opportunities*

The chemical industry being a major exporter and having foreign operations is constantly reviewing the effect on imports of tariff and other controls imposed by foreign countries. The question of the benefit that would be received by the domestic chemical industry from enactment of the Separate Package has been considered.

On the face of it, the domestic industry would get a further 30 percent reduction in foreign chemical tariffs on many chemicals exported to EEC and U.K. In