

and price data was more accurate. They were equivalent as of 1964, but of course depending on the extent of price erosion the differences in prices and transactions between foreign parent and domestic subsidiary, whatever equivalence there was in 1964 disappears rapidly.

But I want to comment a little bit more on the baskets, for here the conversion was, if I may use a lawyer's word, inequivalent per se. It was just inequivalent in the way it was done.

I would like to emphasize also why these baskets are important and why I am saying this: 95 percent of the benzenoid products produced commercially in the United States depend on the baskets for their protection.

The special trade representative recognized their importance when he said that the baskets were the "key to the future." Yet it is in the basket rates that the conversion was the most inequivalent and it was because the Commission did not distinguish between competitive and noncompetitive products.

A competitive product is one produced in the United States and a noncompetitive product is one not produced in the United States.

Obviously the American selling price evaluation is applicable only to the product produced in the United States and not to the product not produced in the United States. Therefore, in measuring the equivalency of protection, you would look only to the converted rate for the products produced in the United States because that is the area in which the protection is relevant.

Yet the instructions of the special trade representative to the Tariff Commission specifically prevented it from making a distinction between competitive and noncompetitive products in the basket even though the Commission said that this would provide a more equivalent degree of protection.

What happened under these instructions was that in the baskets the competitive and noncompetitive converted rates were averaged together and since the competitive rates were higher and the noncompetitive rates were lower, the net effect was to raise the duty on noncompetitive products and lower the duty significantly on competitive products.

This was so far as competitive products are concerned, products produced in the United States, a significant unilateral tariff reduction, and I would like to give you an example of it from the Tariff Commission's own data.

The Tariff Commission gave us its data which showed that the average converted rates for dyes imported in 1964 in basket 406.50 was 72 percent, while the average converted rate for noncompetitive dyes was 40 percent which was the basic rate under that item.

By averaging the competitive and noncompetitive together, the apples and the oranges, the Commission came up with a weighted average of 48 percent for the basket category; for noncompetitive that meant it would raise from 40 to 48, but for the competitive products which are the ones that concern us it was a unilateral decrease of 33 percent, from 72 percent to 48 percent.

We have taken the Commission's own figures for six of the important baskets—the table appears on page 36—and calculated the amount of unilateral tariff reduction from this method of converting in the baskets. It shows unilateral tariff reductions from 14 to 44 percent.

(The table referred to follows:)