the course of the meeting. Indeed, the price fixing in Germany was merely a "Miscellaneous" matter on the meeting's agenda. I would like to submit a copy of the decision of the German Cartel Authority, and a translation, for the record, as well as several articles concerning rationalization of production in Japan. [A translation of the German decision appears as Exhibit 4 at the end of this statement; the articles referred to are in the committee file.]

In the light of these unfair methods of competition used by many of our foreign competitors—the same methods which concerned the Congress in 1922 and 1930—there are the same reasons for retention of ASP valuation now as existed years ago. While ASP will not insulate the domestic industry from the effects of these unfair methods of competition, it will at least assure that U.S. tariff valuation is not undermined by the use of varieties of prices manipulated by a foreign cartel, or by prices which benefit from rationalization of production, market-sharing agreements, and other unfair methods of competition.

The "separate package"

That pretty well sums up what ASP is. The "separate package" before this Committee, however, is really more than whether or not to retain ASP valuation for benzenoid chemicals. The "separate package" agreement would not only eliminate ASP valuation; it would, as we shall show later, further reduce tariffs on hundreds—indeed even thousands—of benzenoid chemicals by considerably more than the 50% reduction authorized by the Trade Expansion Act; it would constitute Congressional approval of a wholly unreciprocal deal that will have a serious adverse economic effect upon the domestic chemical industry, its workers and the United States balance of payments.

You know this ASP issue is really quite unique. We are told it became an "emotional issue" with the Europeans. In fact, ASP became a great negotiating ploy. Our trading partners took ASP valuation, which affects only $50 million in trade—less than 5% of our chemical imports and less than 2/10 of 1% of total U.S. imports—and blew it into the biggest issue of the Kennedy Round. Professor Stanley Metzger, since appointed Chairman of the Tariff Commission, analyzed the ASP negotiations in 1967 and speculated that the ASP issue was pressed to reduce the 50% tariff reduction target to a lower figure.[1] This turned out to be a shrewd analysis for in the end we gave in to the pressure and accepted a 50%–20% deal on chemicals, a "heads they win, tails we lose" deal which will harm our chemical industry and benefit theirs for years to come.

At the same time they not only ignored our demands for meaningful concessions on agricultural products but actually extended the application of their variable levies which affect more than $600 million in U.S. agricultural exports—10 times more trade than is affected by ASP. I am sure you recall the testimony of one of our agricultural exporters who told the Committee that ASP is a "paragon of virtue" compared to the variable levy. The Europeans also carried forward their plans for raising their border taxes and export rebates, which affect *all* U.S. trade by amounts that will more than offset their tariff reductions in the Kennedy Round.

At a time when our balance of payments was steadily worsening, they were not only able to ignore our justifiable demands on billions of dollars of trade, but were able to get us to accede to their demands on ASP.

II. THE 50%–20% DEAL IS UNRECIPROCAL

Having put the ASP issue into context, I would now like to turn to the three areas in which the U.S. and its chemical industry were deprived of reciprocity. The first area is what we call the 50%–20% deal—the deal which laid the basis for the so-called "separate package" presently before this Committee.

In 1962, this Committee approved and the Congress passed the Trade Expansion Act providing our trade negotiators with the broadest grant of tariff-reducing authority in our history. However, the Act provided no authority to negotiate any change in American Selling Price valuation or in any other method of valuation, or to reduce tariffs in excess of 50%. Both Congress and business had every

[1] In testimony before the House Foreign Affairs Committee on February 16, 1967 (Hearings on the Foreign Policy Aspects of the Kennedy Round), Professor Metzger said (p. 34):

"As with disparities, while one can never be sure of another's motives, it is probable that the EEC originally raised the ASP issue largely in order to reduce the 50 percent-reduction target figure to a much lower figure, which would eliminate the political consequences and reduce the significance of the economic consequences of the Kennedy Round."