

discarded the linear reduction theory upon which the Kennedy Round was premised, and developed a new theory in an attempt to justify having given a 50% cut in return for a 20% cut.

Their "balanced deal" theory is basically that because the value of our chemical exports is almost three times as high as our imports, we actually come out ahead when the percent of reduction is weighed by the volume of trade. We cut our tariffs by more than twice as much as the Europeans, but this is outweighed by the fact that their cuts applied to almost 3 times as much trade.

The logical extension of this contrived theory is that in return for a 33% cut by them, we should have cut our chemical tariffs by 100% and that in return for the 50% cut they ultimately made under the "separate package", we should have cut our tariffs by 150%, that is, we should have agreed to pay to them 50% of our existing tariff whenever we import chemicals from them.

This unique theory seems to have been invented for, and to apply only to, our chemical deal with the EEC and the U.K. It does not appear to have been applied across the board to other product areas in which we import considerably more than we export. Indeed, it was not even applied on a most-favored-nation basis within the chemical sector. Only the EEC and the U.K. got a 50%-20% deal. Other chemical trading partners, such as Japan, with similar trade balance paid 50% for our 50% cut.

Our trade negotiators' "balanced deal" theory in no way takes into account the key issue in determining reciprocity, which is the effect which tariff cuts will have upon future trade. While the Government speaks of a "fair and balanced exchange of trade opportunities" (Government Statement, p. 61), it has presented no meaningful studies as to what the future trade effect would be.

The EEC's 20% Kennedy Round "Reduction"

As if the 50%-20% deal were not enough, there was still further reason for the European rejoicing referred to by Mr. Turchan in his statement. The 20% cut accepted by the United States meant that in four of the six Common Market countries the duty paid by chemicals would actually be higher after they make their 20% cut on July 1 than it was before. As shown by the following table released by the EEC,¹ on July 1, 1968, the average German chemical tariff will actually rise from 11.5% to 11.7%—a rise of 1.7%—and for the Benelux countries, the duty on chemicals will increase from 10.3% to 11.7%—an increase of 13.6%.

Sectors	Current tariff rates in percent				Common external tariff		
	France	Italy	Benelux	Germany	Now	20 percent cut ¹	Jan. 1, 1972
Chemicals.....	14.0	14.5	10.3	11.5	13.7	11.7	27.1
All industry.....	14.4	13.8	11.2	11.0	12.8	10.7	7.5

¹ The heading "20 percent cut" is misleading. The reduction from the common external tariff (13.7 to 11.7 percent) is only a 14.6 percent reduction. The French and Italian reductions are 16.4 and 19.3 percent respectively, and, as stated above the German and Benelux tariffs actually rise by 1.7 and 13.6 percent respectively.

² The Jan. 1, 1972, rate for chemicals assumes implementation of the "separate package."

Thus, despite their 20% tariff "reduction", the duty on U.S. chemicals entering Germany and the Benelux countries will actually be higher after the cut than before. This is particularly significant when you consider that Germany and the Benelux countries account for over 70% of U.S. chemical exports to the EEC, and about one half of our chemical exports to the EEC and EFTA combined. Indeed, if we use the negotiators' weighted trade theory, the EEC's Kennedy Round "reductions" actually amount to a 2% tariff increase.

Where is the reciprocity when we have reduced our chemical tariffs by 50% in return for foreign tariff concessions which actually result in a rise in the duties applicable to our products?

I believe this analysis pretty clearly demonstrates that the 50%-20% deal made in the Kennedy Round was unreciprocal. Even under the negotiators' own linear standards of equal percentage cuts, the European countries should have been required to pay at least 50 percent in return for our 50 percent cut.

¹ CCH Common Market Reporter, Vol. II, ¶9227 (April 1968); from data released by the EEC Commission.