

Specifically Named Products.—Whatever equivalency there may have been in the converted rates for individually named products as of 1964, the "ceiling rates" agreed to in Geneva resulted in tariff reductions substantially in excess of 50% for virtually all of these products. In order to demonstrate the magnitude of these reductions, we have taken Table 10 submitted by the Government and inserted a new column showing the percent reduction for the specifically named products based on the Government's own figures.

Table 10 as so modified is attached. It shows that out of 61 TSUS items covering specifically named competitive products for which the Government has shown ad valorem equivalents, 42 have a total reduction in excess of 50%, 23 in excess of 60%, 9 in excess of 70%, and 3 in excess of 80%. [Table 10 as modified is attached as Exhibit 5.]

The majority of the competitive products specifically named have total tariff reductions of 60% or more.

Significance of cuts in excess of 50%

In connection with all of the reductions in excess of 50% that I have mentioned, it is important to note that a 60% reduction in the present rate of duty is the same as an additional 20% cut on top of the 50% cut authorized under the Trade Expansion Act, and a 75% reduction in the present rate is the same as two successive 50% cuts.

In this connection, it should be noted that the last AFL-CIO convention passed a resolution on ASP which states:

"No tariff cutting, beyond the authorization of the Trade Expansion Act, should be approved if there is any change of methods of valuation such as American Selling Price."

While "not arguing either for or against retention of ASP", Mr. Andrew Beimler testified on behalf of the AFL-CIO that:

"Those who support the removal of American Selling Price valuation argue that the four industries—benzenoid chemicals, canned clams, wool-knit gloves and rubber soled footwear—should not have a separate method of valuation because no other industry enjoys this special method of protection. By the same token, *it seems reasonable to us that no industry should be given different treatment by being asked to absorb a greater than 50% cut.*" [Italic supplied.]

Yet the "separate package" agreement before this Committee *would* require our industry to absorb cuts in excess of 50% on the vast majority of the benzenoid chemicals produced in the United States and on 9 non-benzenoid chemicals as well. The "separate package" agreement is therefore clearly inconsistent with the position taken by the AFL-CIO.

Lack of economic rationale

Perhaps the most interesting thing about this "separate package" agreement is the complete lack of any sensible economic rationale. This is demonstrated by the fact that there were cuts in excess of 50% on most of the products we make while the tariffs on products we don't make are actually raised. Because of the failure to make the competitive-noncompetitive distinction the rates of duty on noncompetitive products, those which are not made in the United States, would actually be raised above what has already been agreed to in the Kennedy Round. More important, the tariffs on the competitive products, those we do make, would be reduced by considerably more than 50%. In other words, the Congress is actually being asked to raise the duties on those products that we do not make and at the same time ask to reduce by more than 50% the duties on the products that are made in this country. What kind of economic sense does this make?

Moreover, as you will remember, I pointed out earlier that the conversion process results in the highest converted rates where the disparity in the U.S. and the foreign export value is the greatest. Consequently, in lowering the converted rates to the "ceiling rates", the greatest amount of tariff cut has been made on precisely those products for which the foreigners have the greatest cost and price advantage over the United States. Where there is the least disparity between the United States and foreign prices the tariff is reduced by only slightly more than 50%, but where the disparity is the greatest the total reduction is as much as 80%. The greater the foreigner's cost and price advantage, the greater will be the tariff reduction under the separate package. This too is exactly the opposite of what any reasonably considered proposal should suggest.