

system of valuation is easy to administer because all information is readily available to U.S. customs appraisers from domestic sources. In view of incremental costs, dumping and the complex structure of the benzenoid products, the ASP system of valuation should be maintained because elimination of ASP valuation would open up our Customs classification and method of appraisal to the danger of abuse by foreign producers.

THE DANGER TO THE NATIONAL DEFENSE OF THE UNITED STATES IF THE AMERICAN SELLING PRICE VALUATION WERE TO BE ELIMINATED

The U.S. benzenoid chemical industry is absolutely essential to the national defense of the country. The United States Tariff Commission has realized this. In its study of the Second World War, it in fact pointed out in a report concerning dyes:

"Maintenance of a dye industry has generally been considered essential to military strength, not so much because of the wartime requirements for dyes as because of the relation between technical progress in the manufacture of dyes and technical progress in the production of numerous other commodities essential to war."²

Benzenoid chemicals are used in military explosives, flame throwers and tear gas. A benzenoid chemical is used as the Hydrogen Bomb detonator on inter-continental ballistic missiles (ICBMs). The benzenoid dyes, toners and lakes are essential for camouflage in time of war. Benzenoid fibers, films, plastics and resins find many military uses. One benzenoid fiber, for example, is used in aircraft carrier deck crew suits, aviator suits and parachutes. Benzenoid chemicals are also of great military value as well as non-military value, as insecticides, herbicides and pharmaceuticals (e.g., aspirin and the sulfa drugs).³

H. Kohnstamm & Company itself has helped a great deal in the national defense of the country. It has manufactured dyes which have been used as camouflage on the skin of soldiers, benzenoid products which have been used by the U.S. Armed Forces for camouflage of military vehicles and equipment, dyes for food used by the U.S. Armed Forces, benzenoid products which have been used in pharmaceuticals, benzenoid products for colored smokes and benzenoid products for many other applications.

The United States benzenoid chemical industry works very closely with U.S. military authorities, who look to the industry for expert knowledge. This knowledge involves both classified and nonclassified areas. The elimination of the ASP system will result in foreign benzenoid producers taking over many areas of the benzenoid market. This would lead to a reduction in the amount of "know-how" available to U.S. military authorities and would put the United States in the precarious position of looking to foreign producers for the necessary "know-how". These foreign producers would have to meet our rigid security requirements.

THE DANGER OF FOREIGN CARTELS MOVING INTO UNITED STATES CHEMICAL MARKETS

In my statement to the U.S. Tariff Commission on September 9, 1966, I mentioned numerous non-tariff barriers to trade.⁴ I wish to concentrate, however, at this time, on one particular type of non-tariff barrier which is especially relevant to the U.S. benzenoid chemical industry: the growth of foreign cartels.

If we eliminate the ASP system, without first attacking the problem of the monstrous growth of foreign cartels, we will be subjecting the U.S. benzenoid chemical industry and, indeed, the entire U.S. chemical industry to very grave dangers. The ASP system was originally incorporated into the Tariff Act of 1922 to prevent foreign cartels from regaining the control over U.S. benzenoid chemical markets which they had exercised before the First World War. It would indeed be highly dangerous and unfortunate for the entire U.S. economy if we should now eliminate the ASP system and make it possible for foreign cartels to

² United States Tariff Commission, *War Changes in Industry Series of 1946* (Report 19).

³ Ernest M. May, *Loc. cit.*, pp. 22-24 and Marshall Stubbs, Major General (U.S. Army, Retired), Consultant to The Synthetic Organic Chemical Manufacturers Association, Importance of the Benzenoid Segment of the Chemical Industry to the United States Defense Activities (September 13, 1966).

⁴ Yale Leon Meltzer, U.S. Tariff Commission Investigation, Pursuant to Section 332 of the Tariff Act of 1930, with Respect to Probable Economic Impact of Concessions on Certain Products now subject to Duty on the American Selling Price Basis of Valuation, Investigation No. 332-49 (September 9, 1966).