

million and increases in chemical imports of about \$20 million. It was necessary to make estimates of certain key variables in order to arrive at this final estimate. These key variables are:

(a) The level of U.S. exports to the European Economic Community and United Kingdom in 1972 before consideration of the effect of tariff cuts.

(b) The level of U.S. benzenoid imports in 1972 before consideration of the effect of tariff changes.

(c) The change in average U.S. tariff rates on benzenoids as a result of adoption of the ASP package.

(d) The effect of tariff changes on exports and imports, referred to in my study as a "tariff elasticity."

(e) The effect of removal of the uncertainty for the U.S. importer which now results from the American selling price method of valuation.

The estimates of these key variables are based upon a combination of previous empirical studies, standard methods of market forecasting, and my judgment. Since it is not possible to be sure that any one estimate is correct for any variable, I varied these estimates over a wide range in order to determine a probable range within which the increase in net trade balance in chemicals would fall in 1972. As a result of these variations in estimates of key variables, the lowest estimate of increase in the U.S. net trade balance is \$67 million and the highest estimate \$153 million, compared with the best estimate of \$110 million. Importance lies in the fact that under any set of estimates made of the key variables, the increase in U.S. exports is estimated to exceed substantially any increase in imports. Certain qualifying assumptions must be made: there will be continued growth in world trade and reasonably stable price levels in the United States such as has existed on the average during the past 10 years. Also, implicit in my projections is the assumption that the U.S. chemical industry will have access to petroleum raw materials at world market prices.

2. Increases in exports resulting from the adoption of the ASP package would come in two major categories: (a) new products and (b) those products made by continuous-process, large-scale plants. Many of the new products are produced first in the United States because of the development activity which results from the large internal market. Although plants for the production of any new product of major commercial importance will eventually be built in the European Economic Community and the United Kingdom, lower foreign tariffs would delay the construction of the plants abroad and contribute to the increase in United States exports. Examples of such goods include certain newer types of plastics and other new products, some of which have not yet been commercialized but which will appear in the "basket" categories of tariff schedules.

In the second major category—chemicals that are made in continuous-process, large-scale plants—the large market of the United States enables very large plants to be built here, resulting in low manufacturing costs. Very often one such plant represents a substantial portion of the requirements of a product for a given foreign country. Even after a foreign country begins production of a product, the country in subsequent years sometimes has a shortage while new