

are not an important determinant of chemical exports. These same studies indicate that new product development expenditures, resulting from a large domestic market, are much more important in explaining chemical exports than are unit wage rates.

4. The adoption of the ASP package would increase U.S. chemical imports because of two factors: (a) a decrease in tariffs on a few non-benzenoid chemicals, and (b) a removal of the uncertainty now caused by the American selling price method of tariff valuation. Decreases in tariffs on the nonbenzenoids would be expected to increase imports by about \$3 million yearly. However, in the case of benzenoids, which is the product category affected by the American selling price method of valuation, I estimate that the change in average tariff levels, when weighted by trade flows, would be negligible as a result of adoption of the ASP package. The converted tariff rates based on U.S. Tariff Commission calculations are intended to provide the same revenue as the unconverted rates used with the ASP method of valuation.

Nevertheless, a number of the peaks and valleys in the tariff schedule would be smoothed by adoption of the ASP package. This smoothing would result in lower tariffs in a number of cases, as well as higher tariffs in other cases. In a detailed check, I did not find any systematic bias toward either lower or higher equivalent tariffs. A detailed study of the dye category, for example, showed that because of the much larger quantity of imports at the lower duty levels which would be raised by adoption of the ASP package, there would be on the average a slightly higher weighted average duty on dyes.

The other major effect of adopting the ASP package would be the removal of the present uncertainty caused by basing U.S. duty on the American selling price rather than on the export value in the exporting country as is done with other products. This ASP method results in uncertainty for the U.S. importer since the American selling price for an individual item can change any time, and the U.S. importer is never certain what the duty will be until the goods have been valued by the U.S. Customs. The removal of the uncertainty in the tariff valuation process is estimated to result in an increase of approximately \$17 million in U.S. imports. This \$17 million when added to the previously mentioned \$3 million results in an estimate of \$20 million for the increase in U.S. imports for 1972.

5. Adoption of the ASP package would have a relatively minor effect on the U.S. benzenoid industry. Total benzenoid imports in 1972 are expected to be less than 3 percent of the total value of benzenoid production in the United States. The increase in benzenoid imports brought about by the adoption of the ASP package would be expected to be less than 0.2 percent of the total U.S. production of benzenoids in 1972. Production in each segment of the benzenoid industry is expected to show substantial growth between now and 1972; the value of total production of U.S. benzenoids is estimated to be \$9 billion in 1972 compared with \$6.2 billion in 1965.

6. A comparison of the cost of manufacturing dyes in the United States with the cost of manufacturing dyes in Germany was included in the study because of the concern about foreign competition in this category and because of estimates that dye imports would be a higher percentage of U.S. production than would be the case in other ben-