

zenoid product categories. Germany, the world's largest exporter of dyes, was selected for this comparison; this comparison indicates that on the average Germany costs would be at least 83 percent of U.S. costs. If a 30-percent tariff and a 5-percent freight cost are added to the German costs, then the result would be a landed cost for German dyes equal to 112 percent of the cost of U.S. dyes.

Therefore, on the average, a 30-percent U.S. tariff for dyes would be greater than the difference in manufacturing costs between Germany and the United States. Because all operations are not average, the United States imported \$26 million of dyes in 1966. This compares with \$350 million of U.S. dye production and \$25 million of U.S. dye exports.

The wages of production workers are a slightly higher percentage of value added by manufacture in the dye category than in a number of other chemicals—24 percent for dyes versus 20 percent for the intermediate coal-tar product category as a whole, for example. Nevertheless, there is evidence to suggest that the European exports strength in dyes is based more on technical superiority than on low wages. Chemical industry foreign investment often is based on technical know-how owned by the investing firm, and the Europeans own proportionately more of U.S. dye manufacturing facilities than in other chemical product areas.

7. Adoption of the ASP package would enable Congress to recover the practical ability to set tariffs on benzenoid products. At present, for practical purposes, the power to set effective tariffs rests with the U.S. producers in the case of products protected by the American selling price method of valuation. Once a tariff level is set by Congress, the effective tariff rate is raised whenever the competitive situation allows the U.S. producers to increase the price of the product. The protection of the consumer through the setting of effective tariffs by Congress is especially important in dyes because of the relatively low level of competition existing in this category, where many of the individual dyes are made by just a few producers.

This concludes the summary of my study. I would be happy to answer any questions you might have.

(The study referred to follows:)

EFFECTS OF PROPOSED "ASP PACKAGE" ON U.S. CHEMICAL EXPORTS AND IMPORTS

(By Robert B. Stobaugh, Jr., Lecturer on Business Administration, Graduate School of Business Administration, Harvard University)

This study was prepared by Robert B. Stobaugh, Jr., at the request of the Organic Chemicals Group of the American Importers Association. The views presented here are the author's and not necessarily the Association's.

I. THE "ASP PACKAGE" IN BRIEF

During the recent Kennedy Round, all of the major industrial nations agreed to make substantial unconditional reductions in chemical tariffs. These reductions will be made gradually so that 1972 will be the first year for the United States for which the full tariff reductions will apply.

The United States negotiators agreed to submit to Congress a Supplemental Agreement Relating Principally to Chemicals, known as the "ASP Package."¹

¹ The details of this agreement are contained in *Agreement Relating Principally to Chemicals, Supplementary to the Geneva (1967) Protocol to the General Agreement on Tariffs and Trade*, Geneva, 30 June, 1967.