

EFFECTS ON U.S. CHEMICAL NET TRADE BALANCE

[In millions of dollars]

	Negative	Positive
Increase in U.S. chemical exports due to tariff reductions by European Economic Community and United Kingdom.....		130
Increase in U.S. chemical imports due to:		
a. Net changes in average U.S. tariffs on benzenoids.....	0	
b. Removal of uncertainty on U.S. benzenoid tariffs because of elimination of the ASP valuation method.....	17	
c. U.S. tariff reductions on nonbenzenoids.....	3	
Total increase in chemical imports into the United States.....	20	
Net increase in U.S. chemical trade balance.....		110

Note: A detailed discussion of these estimates follows.

B. Increase in United States exports

In this section, United States exports to EEC and United Kingdom are projected to 1972,^{2c} first without allowing for any tariff cuts, then allowing for the Kennedy Round unconditional reductions, and finally for the reductions which would result with the ASP Package. Next, the product categories in which exports will be important are discussed.

1. Estimate of exports in 1972

Data on United States chemical exports to the EEC and United Kingdom for the past ten years are presented in Table 1. United States chemical exports to the EEC and United Kingdom have grown at an average yearly rate of 12.2% during this period.³ A continuation of this growth rate between 1966 and 1972 would result in total chemical exports to EEC/UK in 1972 of \$1.5 billion. However, a figure of \$1.2 billion is used so that the estimate of the effects of adoption of the ASP Package will be on a conservative basis; effects of variation in this value are shown in Appendix B.

TABLE 1.—EXPORTS OF CHEMICALS FROM THE UNITED STATES TO EUROPEAN ECONOMIC COMMUNITY AND UNITED KINGDOM, 1957-66

Year	Millions	Year	Millions
1957.....	\$268	1962.....	\$477
1958.....	303	1963.....	527
1959.....	346	1964.....	679
1960.....	467	1965.....	716
1961.....	471	1966.....	769

Note: 1. U.S. export data for chemicals were reported for group 8 for 1962 and before. For 1963 the categories were changed so that SITC 5 has been used for chemicals in 1963 and all later years. 2. United Nations commodity trade reports for 1962 indicate that U.S. exports of SITC 5 to EEC/United Kingdom totaled \$508,000,000 or 6½-percent greater than the \$477,000,000 shown above for group 8 exports; however, such reports were not available to allow a similar comparison for 1957-59. If the assumption were made that the SITC 5 exports were 6½-percent higher than group 8 exports for 1957-59 then the growth rate from 1957-59 to 1966 would become 11.2 percent rather than 12.2 percent. This change would not affect the outcome of the study since projected growth rate of only 7.4 percent was used as the best estimate.

Source: Summed from data in Bureau of the Census, exports of U.S. merchandise, country by commodity.

The next step is to determine the effects of the Kennedy Round unconditional tariff cuts on the expected export flow of \$1.2 billion from the United States to the EEC/UK in 1972. Because of the large number of individual chemical commodities in question, some of which are not yet in existence but which will be by 1972, it is necessary to estimate the effect of tariff cuts on an aggregate basis. Detailed studies have been made showing the effect of tariff reductions on aggregated groups of products. A review of these studies reveals that a tariff decrease

^{2c} Various methods of estimating future market demand for chemicals are shown in my "Chemical Marketing Research," *Chemical Engineering*, November 22, 1965, pp. 158-160. For a category of chemicals comprising thousands of individual items, the projection of past trends is a reasonable and commonly used method. A more detailed discussion of this subject is presented in Appendix B.

³ The years 1957-1959 were chosen as a three-year base because these are the years used as base years in the latest United States Tariff Commission Report on *Synthetic Organic Chemicals, United States Production and Sales*. Use of other three-year bases would not invalidate the basic conclusions reached in this study.