

equivalent to 1% of the combined value of the goods and tariff results in an increase in trade flow in chemicals of about 2.5 to 5%. For this study, an intermediate figure of 3.5% is used (this figure will be referred to as a "tariff elasticity").⁴ Effects of variation in this value are shown in Appendix B. The use of this tariff elasticity results in an estimate that United States chemical exports to the EEC/UK in 1972 will be \$110 million higher as a result of the unconditional tariff reductions to which the EEC/UK agreed as part of the Kennedy Round.

A similar calculation for the ASP Package results in an estimate that adoption of this ASP Package will result in an increase of \$132 million in United States chemical exports (in addition to the \$110 million increase mentioned above). Details of the method of calculating these results are presented in Appendix B.

In order to determine a probable range for this value, subjective estimates were made of the effects of variations in key variables. Over 70% of the resulting estimates lie between \$99 million and \$165 million. The average is \$132 million. If these numbers are rounded, it seems reasonable to conclude that United States chemical exports will increase by \$100–\$160 million if the ASP Package is adopted, with a best estimate being \$130 million.

This increase in United States exports plus the increase due to the Kennedy Round unconditional reductions, when added to the export flow of \$1.2 billion expected without any tariff reductions, would result in total chemical exports to EEC/UK of less than \$1.5 billion in 1972. Therefore, the total United States chemical exports to the EEC/UK would be less than 3% of either the combined EEC/UK chemical market or of United States chemical production.⁵ It is believed that such a small percentage would not meet either a supply or demand bottleneck.

2. Product categories for which exports will be important

United States exports of chemicals to the EEC/UK can be classified into two types: (1) New or moderately new products and (2) large-volume "mature" products. United States exports of these two types of products to the EEC/UK are important now and are expected to be increased as a result of lower EEC/UK tariffs brought about by approval of the ASP Package. Examples of exports of new or moderately new products are plastics (SITC 581) and products in the "all other" category (SITC 599). Examples of exports of large-volume products are organic chemicals (SITC 512). United States exports of these three categories (SITC 581, 599, and 512) accounted for 70% of the total chemical exports to the EEC/UK in 1966 (Table 2).

TABLE 2.—CATEGORIES OF CHEMICALS EXPORTED FROM UNITED STATES TO EUROPEAN ECONOMIC COMMUNITY AND UNITED KINGDOM, 1965–66

SITC No.	Description	Value of exports (millions)	
		1965	1966
512	Organic chemicals.....	\$282	\$270
513	Inorganic chemicals.....	31	36
514	Other inorganic chemicals.....	22	22
515	Radioactive and associated materials.....	37	51
521	Mineral tar and crude chemicals.....	11	12
531	Synthetic organic dyestuffs.....	7	8
532	Dyeing and tanning extracts.....		
533	Pigments, paints, and varnishes.....	9	12
541	Medicinal and pharmaceutical products.....	48	50
551	Essential oils, perfume and flavor materials.....	12	12
553	Perfumery and cosmetics.....	3	5
554	Soaps, cleansing and polishing preparations.....	14	16
561	Fertilizers.....	5	4
571	Explosives and pyrotechnic products.....	3	2
581	Plastic materials.....	143	166
599	Other chemical materials and products.....	89	103
Total.....		716	769

Note: Organic chemicals (SITC 512), plastic materials (SITC 581), and other materials and products (SITC 599) as a share of total equal 70 percent in 1966.

Source: Bureau of the Census, exports of U.S. merchandise, country by commodity.

⁴ This question is discussed in more detail in Appendix B and a number of studies are referenced.

⁵ It is estimated that the EEC/UK combined chemical market will approximate \$50 billion in 1972 and United States output will exceed this.