C. Increase in United States imports

The effects of changes in levels of United States imports which would be caused by adoption of the ASP Package are of two types:

1. Those caused by changes in tariff levels.
2. Those caused by removal of uncertainty due to removal of ASP method of tariff valuation.

1. Result of lower tariffs

On most imports, the United States tariff duties for an imported article are calculated on the basis of wholesale price in an arm's-length transaction in the country of export—known in customs parlance as "export value." On imported benzenoid chemicals subject to the ASP method, however, a customs official must determine their price in the United States market and then assess their tariff on the basis of that price rather than on their "export value." [17] Benzenoids whose American Selling Price is much greater than their normal "export value" thus receive a higher degree of tariff protection than indicated by nominal tariff rates.

In eliminating the ASP basis of customs valuation it is not intended that the average duties collected would be either increased or decreased. The rates currently based on ASP would be changed to "converted rates" calculated by the United States Tariff Commission. These "converted rates," when applied to the imported value by the conventional method of tariff valuation, would yield a tariff revenue approximately equal to that realized by applying current United States rates to the ASP value. Rather than reducing TSUS rates by approximately 50% as was agreed in the first part of the Kennedy Round, the United States under the ASP Package would reduce these "converted rates" by approximately 50%; however, not all "converted rates" would be reduced approximately 50% because certain of the peaks and valleys of the tariff schedule would be smoothed by the application of flat rates to broad categories of items.

A detailed examination of rates which would be in effect as a result of the unconditional tariff cuts of the Kennedy Round [18] revealed that when the "converted rates" [19] are taken into account, there is no evidence of any systematic bias toward either higher or lower equivalent rates as a result of adoption of the ASP Package. Rather, it revealed that generally the tariff revenue which would be collected on individual items would not vary greatly as a result of adoption of the ASP Package. However, because of the leveling of peaks and valleys in the tariff schedule which would result, there are certain exceptions to this last statement. Dyes represent the major exceptions since a wide variety of rates on dyes would be standardized at 30% with adoption of the ASP Package, rather than ranging from 19% to 86% as presently agreed as part of the Kennedy Round.[20] A detailed examination of the dye categories revealed that because of the much larger quantity of imports at the lower duty levels, adoption of the ASP Package would result on the average in a slightly higher equivalent duty. Further details of this examination are presented in Appendix D.

Therefore, as a result of these comparisons, it is concluded that the main effect of the ASP Package on benzenoids would be to remove uncertainty in the valuation process rather than to change the levels of duties.

Seventy-nine non-benzenoid chemicals with current tariffs below 8% would have their tariffs reduced a further 30% (in addition to the Kennedy Round unconditional reductions of 20%); nine other non-beneznoid chemicals which will have tariffs greater than 50% after all of the Kennedy Round unconditional reductions are put into effect would be subject to further tariff reductions.

An estimate of the effect of these tariff reductions was made using the same tariff elasticities as used for the estimate of increase in United States exports. This estimate indicated that increased imports into the United States in 1972 as a result of adoption of the ASP Package would approximate $3 million because of lower tariffs. More details of this estimate are presented in Appendix D.

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[17] More details of this valuation method and a definition of benzenoid chemicals are contained in U.S. Tariff Commission publications, e.g., United States Tariff Commission. *Products Subject to Duty on the American Selling Price Basis of Valuation: Conversion of Rates of Duty on Such Products to Rates Based on Values Determined by Conventional Valuation Methods,* TC Publication 181, Washington, D.C., July 1966.

[18] Basic data from: Office of the Special Representative for Trade Negotiations, *Report on United States Negotiations,* Washington, D.C., Superintendent of Documents. Undated.

[19] The conventional rate calculated by U.S. Tariff Commission to result in same revenue that would result from ASP rate. (See T.C. Publication 181, *loc. cit.*)

[20] The 19% to 86% are converted ad valorem equivalents and therefore can be compared directly with the 30%.