

2. Result of removal of uncertainty

The ASP system does not permit the United States importer to know at the time a contract for import to the United States is made whether the imported product will be subject to ASP, or what the ASP will be.

In order to estimate the effects of the removal of uncertainty on future imports, the level of benzenoid imports expected in 1972 with the ASP method of valuation still in effect is first estimated. Benzenoid imports have increased at an annual compounded rate of 15% between 1957-1959²¹ and 1966 (Table 4); however, most of this increase occurred in 1965-66 when shortages of capacity in the United States resulted in increased imports. For example, part of the major increase in imports of benzenoid intermediates was due to imports of chemicals such as phenol, phthalic anhydride, and styrene monomer, as shown in Table 5. Therefore, it is believed that the annual growth rate of 9% experienced between 1957-1959 and 1964 is a more reasonable one to expect in the long run. Projection of United States benzenoid imports to 1972 with a 9% growth rate results in estimated benzenoid imports of \$150 million in 1972. However, the use of a 15% growth rate would not change the basic conclusions of this study; and the results of such an estimate are shown in Appendix D.

Table 4.—U.S. imports of benzenoids, 1957-1966

Year:	Millions
1957	\$24.0
1958	26.5
1959	36.0
1960	33.2
1961	38.3
1962	39.1
1963	43.6
1964	49.1
1965	64.9
1966	88.1

Source: United States Tariff Commission, *Imports of Benzenoid Chemicals and Products* (annual reports).

The next step is to determine the effect of the Kennedy Round unconditional tariff cuts on this level of trade flow. The same method and the same tariff elasticities used to estimate changes in United States exports are used for this estimate. The result of this estimate is an estimated increase in imports of \$80 million, or an estimated total of \$230 million.

TABLE 5.—EXAMPLES OF INCREASED U.S. IMPORTS AS A RESULT OF CAPACITY SHORTAGES IN THE UNITED STATES

INCREASED U.S. IMPORTS			
[U.S. imports in thousands of pounds ¹]			
Product	1964	1965	1966
Phenol	0	4	8,633
Phthalic anhydride	0	0	4,598
Styrene monomer	0	0	8,544

¹ U.S. Tariff Commission, *Imports of Benzenoid Chemicals and Products*.

CAPACITY SHORTAGES IN UNITED STATES

1. Phenol

One news article states that prices are being increased by elimination of all discounts from list, and that "Phenol's supply bind has been felt in the industry since the turn of the year, but was aggravated by a fire that ravaged the cumene plant of Gulf Oil Corporation at Philadelphia late in May." ("Phenol Shopping Soon To Require Additional Cash," *Oil, Paint & Drug Reporter*, June 20, 1966, p. 5, 62.)

²¹ These years were chosen because they are used as base years in the latest edition of the United States Tariff Commission report on *Synthetic Organic Chemicals, United States Production and Sales*. Use of other 3-year bases would not invalidate the basic conclusions reached in this study.