Appendix A

Details of the Kennedy Round and ASP Package

I. THE KENNEDY ROUND PACKAGE

Unconditional obligations undertaken in the Kennedy Round are as follows:

1. *The United States* agreed to duty reductions on products accounting for nearly all (95 per cent) of United States dutiable chemical imports. Tariffs will be reduced 50 per cent on most items with rates above 8 per cent; 20 per cent on items 8 per cent and below. The United States retains the ASP method of valuation for benzenoid chemicals (the ASP method of valuation is explained below).

2. *The European Economic Community* agreed to duty reductions on traiff items accounting for 98 per cent of its dutiable chemical imports from the United States. Most duties will be reduced by 20 per cent. Certain items, however, will be subject to reductions of 30 per cent and 35 per cent, while some others will be reduced less than 20 per cent.

3. *The United Kingdom* agreed to duty reductions on virtually all chemical imports from the United States except certain plastics. Most British plastics duties are currently 10 per cent, a level considerably lower than other major trading countries. The United Kingdom has agreed to reduce tariffs at rates of 25 per cent and above by 30 per cent, and rates below 25 per cent by 20 per cent.

4. *Other participants* agreed to reductions in their chemical tariffs as part of their Kennedy Round concessions.

II. THE ASP PACKAGE

The following concessions are contingent on United States elimination of the ASP valuation system:

1. *The United States* would eliminate ASP and replace rates currently based on ASP with rates that have been proposed by the Tariff Commission to be applied on the valuation as normally calculated for other United States imports and yielding the same revenue as the previous rates. These "converted" rates would be reduced, by stages, generally by 50 per cent or to an ad valorem equivalent of 20 per cent, whichever is lower, (except that in some cases the retainment of "specific components" will result in total tariffs substantially higher than 20 per cent). The principal exceptions of this formula are dyes, pigments and sulfa drugs, duties on which would be reduced to 30 per cent for dyes and pigments and 25 per cent for sulfa drugs. In addition, the United States would reduce the 8 per cent and below rates subject to the 20 per cent cut in the Kennedy Round unconditional package by a further 30 per cent and further reduce by more than 50 per cent a few other items to the 20 per cent level.

2. *The European Economic Community* would reduce its chemical tariffs by an additional amount so as to achieve a combined Kennedy Round-ASP Package reduction of 46 per cent on chemical imports from the United States. Virtually all EEC chemical tariffs would be at rates of 12½ per cent or below. (Belgium, France, and Italy would also modify road-use taxes so as to eliminate discrimination against American-made automobiles.)

3. *The United Kingdom* would reduce most of its chemical tariffs according to the following formula: Items at present dutiable at 25 per cent and above would be reduced to a level of 12½ per cent, for a 62 per cent combined Kennedy Round and ASP Package reduction. Tariff items with duties of less than 25 per cent would generally be reduced by the amount necessary to achieve a combined reduction of 50 per cent in the two packages. U.K. plastics tariffs which would be above the reduced EEC rate on the same item would be cut to that level and bound. The combined weighted average reduction in the level of British chemical tariffs on United States trade would be approximately 47 per cent on chemical imports from the U.S. After these reductions virtually all British chemical tariffs would be at rates of 12½ per cent or below. (The United Kingdom would also reduce by 25 per cent its margin of preference on imports of tobacco.)

III. THE ASP METHOD OF VALUATION

Most imports in the United States are subject to what is called an ad valorem rate of duty. Such a rate is expressed as a percentage of the value of an imported article (e.g., 10% ad valorem). In almost all cases, the ad valorem rate