

A unit value for the various subcategories of dyes in 406.50 was calculated by dividing the "specific equivalent"⁶ by the "converted rate." This unit value was then multiplied by the quantity of imports for 1964 in order to obtain an estimated value for the imports of each subcategory.⁸ This estimated value for each subcategory was then multiplied by the level of tariff changes which would result for the subcategory as a result of the ASP Package. The results indicated that because of the much larger quantity of imports at the lower duty level, there would be on the average a slightly higher weighted-average duty after the ASP Package than before. Therefore, proceeding on the basis that the average duty level would not change as a result of the ASP Package would result in a higher import estimate than would actually be the case.

B. Reductions in duties on items with duties less than 8%

United States imports of the 79 non-benzenoid chemicals covered by this proposed reduction amounted to approximately \$31.6 million in 1965. Eight items accounted for \$21.1 million, or 67% of the total. The weighted average tariff reduction for these eight items for the ASP Package would be 1.8% of the value of the items. If a "tariff elasticity" of 3.5 is used (as is used for other calculations) imports would increase by slightly over 6%, or about \$2 million for 1965 trade volume. If allowance is made for a normal expansion of trade to 1972, then the increase due to the ASP Package would be about \$3 million.

C. Reduction in duties on items with duties greater than 50%

The value of imports of these items in 1965 was \$304,000. One item, vinyl chloride monomer, accounted for \$257,000 of this. The tariff reduction due to the ASP Package for this item is the same as a reduction in ad valorem equivalent of from 27% down to 23%.⁷ Thus, the increase in trade due to this reduction should be negligible in terms of evaluating the overall ASP Package.

D. Conclusions

The major changes in import levels due to changes in tariff levels would be in the importation of the 79 non-benzenoid chemicals; the expected increase in imports is about \$3 million for 1972.

III. CHANGES IN IMPORTS AS A RESULT OF REMOVAL OF UNCERTAINTY

First, an estimate of the level of benzenoid imports expected in 1972 without any Kennedy Round cuts is presented. Next, an estimate is presented showing the effects of the Kennedy Round unconditional tariff cuts on estimated 1972 imports. Finally, estimates are presented showing the effects of removal of uncertainty on those imports because of elimination of the ASP method of valuation.

A. Level of imports in 1972 without any Kennedy round tariff reductions

Benzenoid imports have increased at a compounded rate of 15% annually between 1957-1959 and 1966; however, most of this increase occurred in 1965-66 when shortages of capacity in the United States resulted in increased imports. This is discussed in detail in the body of this study and in Table 5. 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 would result in estimated benzenoid imports of \$150 million in 1972 versus \$200 million for the 15% growth rate. If \$150 million is used as a "best estimate" and \$200 million as a "high estimate," then it seems reasonable to use \$100 million as a "low estimate." Effects of using the "low" and "high" estimates instead of the "best" estimate are presented below in Section IV of this Appendix.

B. Effect of the Kennedy round unconditional tariff reductions

As discussed in Sections I and II of this Appendix the tariff changes are from the present effective level of about 45% down to a new level of 22½%. Using the same tariff elasticity and same method of calculation as used for United States

⁶ This is a \$/pound equivalent of the total combined specific and ad valorem rates for a given category (see T.C. Publication 181, *op. cit.*). Thus, if specific equivalent=\$1.00 and converted rate=50%, then unit value=\$2.00.

⁸ Import data from United States Tariff Commission, *Imports of Benzenoid Chemicals and Products*, 1964.

⁷ A reduction in actual tariffs of from 1.25¢/pound+6% down to 1¢/pound+6%; this item has a unit value of 6¢/pound according to United States Tariff Commission Report, *United States Production and Sales of Organic Chemicals*, 1965.